

FEB 14 1985

Agricultural Cooperative
Development
Project No. 532-0107
Amendment No. 1

Mr. Hector Dietrich
General Manager
National Union of Cooperative Societies, Ltd.
2a Manhattan Road
Kingston 5

Dear Mr. Dietrich:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, on behalf of the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") I hereby amend the grant made in my letter dated June 12, 1984, to the National Union of Cooperative Societies (hereinafter referred to as "NUCS" or "Grantee") to add an additional US\$300,000 to finance the remaining portion of the subject Project (June 1, 1985 - May 31, 1988) as described in the Grant Agreement bringing the total obligated and funded amount of this Grant to the planned life of the project level of US\$500,000.

The following four sections of the attached schedule are hereby amended to read as follows:

1. II.2. Funds obligated hereunder are available for Project expenditures for the estimated period from June 1, 1984 to May 31, 1988, as shown in the Financial Plan.
2. III.2. A.I.D. hereby funds the total amount of US\$500,000 for Project expenditures during the period set forth in II.2. above as shown in the Financial Plan.
3. III.4. Payment shall be made to NUCS in accordance with procedures set forth in Implementation Letter No. 1.

GRANT AGREEMENT

Between

THE NATIONAL UNION OF COOPERATIVE SOCIETIES

And The

UNITED STATES OF AMERICA

For

AGRICULTURAL COOPERATIVE DEVELOPMENT

Dated: June 12, 1984

Appropriation: 72-1141021.3

Budget Plan Code (BPC): LDAA-84-25532-AG13

Attachment 1

GRANT AGREEMENT

SCHEDULE

- I. Project Background, Purpose and Description
 - II. Period of Agreement
 - III. Estimated Amount, Funds Obligated, Payment and Cost Sharing
 - IV. Substantial Involvement Understanding
 - V. Financial Plan
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I. PROJECT BACKGROUND, PURPOSE AND DESCRIPTION:

A. Introduction:

A rather large (US\$30,000,000) sophisticated project between the Government of Jamaica (GOJ) and the Agency for International Development (AID) is currently being implemented whose ultimate goals are to "rationalize" the marketing of perishable agricultural items through the construction of several wholesale marketing facilities, and to organize and operate up to 15 Assembly and Grading Stations (AGS) by Producer Marketing Organizations (PMO) that are owned and operated by the producers.

In order to assist with the implementation of this project, a team of expatriate advisors has been contracted (Ronco/ACDI) as counterparts to the Marketing and Credit Division (MACD) of the Ministry of Agriculture, which has overall responsibility for this project.

The activities contemplate Government funding of the land acquisition, building, construction, machinery and equipment procurement, training of Ministry personnel, and operation subsidies for the PMO on a declining basis over four years.

One of the major weaknesses of the project, however, is in the area of institutional development relating to the promotion, organization and operation of the private enterprise PMOs.

To facilitate the implementation of the PMO component of the overall Agricultural Marketing Project, the National Union of Cooperative Societies Limited, (a third level cooperative organization), with appropriate technical assistance, will provide the necessary training, organizational processes and managerial inputs to help ensure the viability of the PMOs.

This project which will be closely coordinated with the MACD effort through the PMO Advisor, will locate and train managerial candidates from each PMO. Training will basically be a series of practical, hands-on sessions to give the prospective PMO managers and staff personnel the understanding of operation, organization and development of a farmer-owned business. The trainees will actually be organizing, training and managing the PMOs while in training themselves.

Up to eight members of each PMO Board of Directors, and the membership at large, will also receive training.

The basic concept of the project will be to treat the PMO as a business enterprise, and to provide the training without creating a bureaucracy within NUCS nor within the PMOs that would be a long-term financial burden to the organization.

In order to accomplish the latter, and generally to improve its financial strength, NUCS will be assisted to exploit potential targets of business opportunity that may arise and that might develop into one or more new services (e.g., credit, packaging, agricultural supply sales, promotion, etc.) that will not only benefit the PMOs, but will provide much needed additional income for NUCS at the same time.

Thus, the end-of-project status would expect to find up to 15 viable, self-sustained producer owned and operated marketing organizations staffed and led by people with basic training in the sound conduct of member owned and controlled organizations and a strengthened, third level cooperative organization, capable of sustaining itself and assisting farmer owned enterprises through the continued provision of specialized training and technical assistance, and the provision of services on a business basis.

The project duration will be for four years and require US\$500,000 to cover the costs of technical assistance, commodities and training and J\$1,500,000 to support the local expenditures associated with this project such as training, staff salaries, stipends and commodities.

Over and above the regular reporting procedures that will be utilized to keep AID and others informed regarding the status of the actual activities and finances, a "process" evaluation will be performed between the eighteenth and twenty-fourth month of the project, and a "final" evaluation will be carried out near the time of project completion. Both of these efforts would be handled by a mutually agreeable third party.

B. Project Background:

The Government of Jamaica and USAID/Jamaica have recently funded a two-phase Agricultural Marketing Project with the stated goal of "improving the well being of farmers, consumers and market intermediaries", and for the purposes of "initiating the development and application of improved marketing practices for food crops, meat and fish production for domestic (and export) markets".

The major emphasis is to create and strengthen a Marketing Division to serve as the catalyst for upgrading the marketing system in general and for improving the specific capabilities and practices of the small farmers and the small marketing intermediaries. It will undertake market and marketing development through research, market news and information, support of farmer/producer organizations, marketing extension and quality assurance (grades and standards, inspection, market regulation, etc.). Considerable progress has now been achieved implementing Phase I.

Phase II initiated March, 1982 consists of two components - The Support of 25 small farmer/producer organizations and construction of their Assembly and Grading Stations (25 throughout the island), and the construction of 4 Subterminal Wholesale Distribution Markets (SWDM). These two components are designed to benefit directly from and function with the components of Phase I to address the problems of larger take-offs from the small farmers, facilitate volume assembly and grading at the producer level and better island-wide wholesale distribution of domestic crops, meat and fish. The intended results will be less post harvest losses, higher farmgate prices, more accessible factor inputs at reduced costs and lower consumer prices for higher quality/produce.

The 25 farmer/producer organizations will operate their respective Assembly and Grading Stations (AGS) in their local areas in simply constructed and basically equipped facilities to grade and package their harvests into identifiable grades, facilitate the onward shipment to differentiated markets, reduce the costs and widen the choices of commodities to marketing intermediaries through economies of scale and provide an efficient means of distributing factor inputs to farmer/producer and to lower costs.

One of the major weaknesses of the Agricultural Marketing Project is in the area of institutional development relating to the promotion, organization and operation of the private enterprise PMOs. To develop a producer owned and operated organization in a manner consistent with project strategy is a difficult task. The farmers/producers must invest in the business; they must be organized; trained in the basic principles of associative enterprise development; the associations must be formed, the board of directors and management identified, trained and selected and contracts let for construction, etc. To accomplish this awesome task the expatriate technical assistance component consists basically of one ACIDI advisor stationed in the Marketing and Credit Division of the MOA plus his counterpart (recently assigned) and two other expatriate ACIDI advisors stationed at the Christiana Potato Growers Cooperative Association working parttime (50%) with other PMOs, once these come on stream.

An additional constraint and limiting factor is the amount of GOJ involvement and direction being given to the project and the notable absence of involvement by the Jamaican cooperative sector. Yet some of the PMOs will likely be cooperatives organized under the Cooperative Societies Act, although others may take on other structure while in spirit and form operate as cooperatives. The PMOs will be private enterprises, and the track record of the government in developing private enterprises demonstrates the need for private sector involvement in the development of these privately owned and operated PMOs.

C. Program Goal and Purpose:

This NUCS training and development project is designed to provide additional inputs into the PMO component of the Agricultural Marketing Project currently being implemented by the MACD with assistance by Ronco/ACIDI technicians. The NUCS project is also designed to assist the National Union become a stronger, business oriented tertiary cooperative organization.

If this project is successful and all the outputs and purposes are achieved a mechanism for continued assistance and support to farmer owned marketing organizations will have been created in the private sector.

The goal of this project is, therefore, to support success of the Agricultural Marketing Project which will improve the incomes of the Jamaican farmers who become members of the producer marketing organizations.

In order to achieve the stated goal two purposes have been identified. The first of these is to help Jamaican agricultural producers in 15 separate farming areas with the organization and management of Producer Marketing Organizations that operate according to accepted cooperative business principles and that provide marketing and/or processing services/facilities for members.

The second purpose of this project is to strengthen the National Union of Cooperative of Societies (NUCS) as a viable third-order cooperative service organization, capable of self-sustained growth and having the ability to assist Jamaican agricultural cooperative businesses through the provision of specialized training and technical assistance, and the provision of (direct and indirect) of such services as sale of agricultural supplies, credit, insurance, promotion and/or others to the extent these prove viable targets of business opportunity.

The End-of-Project Status Conditions (EOPS) that are expected by the conclusion of the project corresponding to the first purpose are:

Up to 15 viable businesses operating according to commonly accepted business principles that have most or all of the following characteristics:

1. Professional management.
2. Up to date and efficient accounting systems.
3. Financial statements produced on a monthly basis.
4. Have achieved viability or hope to achieve viability within the foreseeable future.
5. Operate one or more assembly and grading stations which receive member's farm production and market items on behalf of members in a cooperative fashion.
6. Operate according to acceptable cooperative principles although not necessarily legally organized under Jamaican Cooperative Societies Act and Regulations as a cooperative; e.g., they might be a limited liability corporation but with voting rights based on one member/one vote. They might be associations with limited return on member equity but voting rights in proportion to member equity or based on patronage with the association.
7. Have a high degree of member/owned participation in affairs of the business, e.g., through active participation in board/member training opportunities, through participation in selected board committees and/or through service on the board of directors.
8. Be owned by the members who are also the producers of the commodities handled by the business and who are also the principal customers of the businesses.

The End-of-Project Status Conditions (EOPS) that are expected by the conclusion of the project and corresponding to the second purpose are:

1. Professional management in NUCS.
2. A staff, under the guidance of NUCS management, fully paid for from the proceeds of the services rendered to the Jamaican cooperative and associated enterprise sectors.

3. A training facility for Agricultural Marketing Cooperatives and PMOs operating on a regular and systematic basis, that offers courses in cooperative subjects and, more importantly, courses, seminars, workshops, etc., that are needed by the boards and management of the cooperative and/or the associated enterprise sector to improve the business aspects of these enterprises and cooperatives.
4. The provision of one or more of the following services to members on a sound business basis:
 - * Insurance;
 - * Credit for working capital and/or investments;
 - * Bulk procurement and distribution of packing supplies, equipment, and/or agricultural input supplies, office supplies, etc.;
 - * Marketing/export marketing services for members which could include advertisement, market development, etc.;
 - * Operation of wholesale marketing facilities such as subterminal warehouses, refrigerated/controlled atmosphere storage facilities.

D. General Program Description:

To facilitate the implementation of the PMO component of the overall Agricultural Marketing Project the National Union of Cooperative Societies (NUCS) will provide additional technical assistance and training to each PMO, which in turn will help ensure the success of the overall Agricultural Marketing Project.

The overall activities of this NUCS effort will be closely coordinated and integrated with the Agricultural Marketing Project and will be dove-tailed with the implementation plans and strategy of the Marketing Division of the MOA.

NUCS will mount a private sector project implementation unit that will locate and train (in coordination with Ronco/ACDI/MACD project staff) two or more trainees for each PMO. These persons will be nominated by the PMO steering committee from appropriate candidates residing in the PMO area and accepted by NUCS and MACD as having the integrity and potential ability needed in matters important to the successful operation of the business aspects of PMO operation. Training will be basically a series of practical, hands-on sessions and on-the-job experiences to give the prospective PMO managers, fieldmen and book-keepers the basic understanding of operation, organization and development of a farmer owned business.

The basic concept of the program will be to assist the MACD with the implementation of project activities in each area where a PMO is to be organized while at the same time not creating a bureaucracy within NUCS, nor within MACD, that cannot be supported later by the respective organization. The PMO trainees will be awarded "scholarships" by NUCS from project funds

to support them during their training and internship period. MACD will assist the PMO steering committees and NUCS in the initial screening of candidates. Once these PMO trainees are selected they will be provided with a comprehensive training experience by NUCS/Cooperative College personnel, the NUCS resident technical advisory, and by MACD/ACDI/Ronco advisors and staff.

Once this initial training/or orientation is completed the PMO trainees will return to their respective sites and take-up duties under the direct supervision of the PMO steering committee with added assistance by the Ronco/ACDI/MACD/NUCS team. The trainees will then become the on-the-spot promoters of the development of each respective PMO, leading to the incorporation of the PMO as a legal entity. The trainees will help develop a business plan for their PMO while in training. After incorporation of the PMO, the trainees "scholarships" will end and those that make the grade will be hired by the respective PMO. From this point forward, the PMO will be expected to operate as a private business. Peace Corps volunteers will be sought to assist with implementation of the project and development of PMOs.

The Producer Marketing Organization, once established, will be a private sector business operated by farmers for farmers. Whether constituted as a cooperative or a limited liability company or in some other form, the organization will operate on cooperative principles. This means that farmers will market their products and obtain services for themselves more effectively or more economically than they could individually.

In marketing their products through the organizations as one, the farmers will share the ups and downs of the market. The organization will develop a marketing strategy which will be geared to the area, the capabilities of the farmers and the market. In addition, the organization's Market Manager, because of his every-day involvement in the market, will have a strong influence on the commodities produced by the members and the timing of planting and harvest.

The proposed activities for promoting and creating a PMO are divided into three stages - identification, development and implementation.

The identification of potential areas or groups of farmers, and the selection of sites for Producer Marketing Organization/Assembly and Grading Station will be undertaken on a case-by-case basis. Indications of interest are expected to come from farmers themselves or from Production and Marketing Extension Agents, NUCS, Jamaica Agricultural Society Representatives, community leaders, Land Authority and other sources.

It is proposed that a Producer Marketing Organization should start with a nucleus of leaders, producers (nine, eleven or thirteen) whose selection will be based on farming and business experiences. Key farmers and community leaders will be utilized to the fullest extent. This group will be designated a Steering Committee. Such a committee will be fully involved in the initial stages in organizational activities, such as planning and conducting meetings, developing strategies and plans for the development of the organization, arousing the interest of potential members, keeping them informed of marketing plans and preparing them for the impending socio-economic survey.

NUCS and the selected management trainees will then initiate the necessary organizational work, training and management to develop the PMO into a business entity capable of collectively marketing members produce effectively.

Following the formation of a PMO the MACD will perform a socio-economic-financial study to determine the feasibility of providing an Assembly and Grading Station to the new group.

Cooperative Business Management training for the prospective managers, and board members in addition to farmer member training will continue for the life of the project and hopefully thereafter.

The PMO would be responsible for operating the packinghouse facilities and eventually own them after an initial development period of not more than four years. During that time the MOA would subsidize operations to some extent as described in the Agricultural Marketing Project Loan Agreement.

The PMOs will also be encouraged to operate a farm supply store, and any other cooperative business ventures for the benefit of its membership.

The foreign exchange component of the project will finance technical assistance, training and commodities. The local currency will finance all local costs including training, NUCS staff salaries and commodities. Technical assistance will be provided by an expatriate long term cooperative training advisor and short term advisors for development of NUCS services.

The project is more fully defined in Attachment 2, hereto entitled "Description of Activities".

II. PERIOD OF AGREEMENT:

1. The effective date of this Agreement is June 1, 1984. The expiration date of this Agreement is May 31, 1988.
2. Funds obligated hereunder are available for project expenditures for the estimated period from June 1, 1984 to May 31, 1985 as shown in the Financial Plan below.

III. FUNDS OBLIGATED, PAYMENT AND COST SHARING:

1. The total estimated amount of this Agreement for the period shown in II. (1) above is US\$500,000. The Government of Jamaica will provide J\$1,500,000 to fund the local costs of the project for the period shown in II (1) above.
2. AID hereby obligates the amount of US\$200,000 for project expenditures during the period set forth in II. (2) above as shown in the Financial Plan below.

3. Additional funds up to the total amount for the Agreement as shown in III. (1) above may be obligated by A.I.D. subject to the availability of funds, and to the requirements of Standard Provision 4 of this Agreement.
4. Payment shall be made to the National Union of Cooperative Societies located at 2a Manhattan Road in Kingston, Jamaica, in accordance with procedures set forth in Attachment 3, Standard Provision 9B entitled "Periodic Advance".
5. Cost sharing under this Agreement shall be as follows:

<u>A.I.D.</u> <u>Contribution</u>	<u>Government of Jamaica</u> <u>Contribution</u>
US\$500,000	J\$1,500,000

6. NUCS may exceed the dollar cost for any individual line item of the budget by not more than 15% of such line item without USAID's approval. USAID's approval must be obtained for any expenditure greater than 15% of any individual line item. The year by year amounts to be contributed by AID and the Government of Jamaica are set forth in the Financial Plan.

IV. FINANCIAL PLAN:

The following is the Financial Plan for this Agreement, including local cost financing items, if authorized. Revisions to this Plan shall be made in accordance with Standard Provision 4 entitled "Revision of Financial Plans".

In total, four years are contemplated for the completion of the program, at a total cost of U.S.\$500,000 and JS\$1,500,000. The U.S. dollars are required to cover the cost of technical assistance and commodities and are scheduled \$193,805 in year one, \$132,434 in year two, \$158,225 in year three and \$15,535 in year four. The Jamaican dollars are to cover the local cost of implementing the training activities and are required J\$629,000 in year one, in year two J\$418,000, in year three J\$237,000 and year four J\$216,000.

Included in the funding request for local costs are funds for personnel (including the PMO trainees for a six month period), travel, training and equipment — all of which are expected to be self-sustaining by the end of the project. The PMO trainees costs, for example, will be transferred to the respective PMOs and most of the training and equipment outlays will be one-time expenses. The on-going personnel and other costs will be covered by income generated from NUCS new services.

The equipment purchase under this project will be utilized for backstopping this project as well as for strengthening the overall capabilities of NUCS and the Cooperative College.

Training costs will be acknowledged on the books of the individual PMOs, and a delayed payment of some portion of actual costs may be extracted in order to educate PMO regarding the need to pay for such services, and for the purpose of establishing a scholarship loan fund.

As counterpart funding, NUCS and the Cooperative College will contribute J\$1,825,120 of their own resources (from the current budget) over the four year period, in addition to obtaining an estimated J\$1,000,000 from other sources for the purpose of creating new services for members. In this manner AID funding of local costs will represent 34% of the total amount invested, while NUCS will provide 43% from its own resources and 23% from other forms of financing.

The AID dollars will be used to contract external technical assistance for the project — development of the PMOs as well as helping strengthen NUCS — by providing a Resident Advisor for three years and some short term advisors. In addition, supervisory trips (airfare and per diem) by the contractor's head office will be charged to the grant. USAID funds will also be used to procure 4 project vehicles. Detailed and summary budget for both technical assistance and local costs are attached, and amply illustrate the use of AID funds. An explanation of the counterpart funding is also included.

V. SPECIAL PROVISIONS:

1. Project Evaluation:

It is understood and agreed that USAID will conduct a formal evaluation of the project two years from the effective date of this Agreement and again after the Project Assistance Completion Date (PACD).

2. Reports:

The Recipient agrees to submit for USAID within 15 days after the end of each reporting period Quarterly Progress Reports which will contain as a minimum, the following information:

- a. Financial status of Jamaican dollar budget including disbursement from the NUCS counterpart contribution and GOJ grant funds;
- b. Project outputs in quantifiable terms;
- c. Summary of Progress and Achievement of objectives including unquantifiable outputs;
- d. Major issues and events including resolution of issues from previous report;
- e. Major events expected next quarter;
- f. Outstanding issues and new or anticipated problems and proposed solutions.

3. Conditions to be Met Prior to Disbursement of USAID funds:

Prior to USAID disbursement and recipient and expenditure of any funds under this agreement the following conditions must be met and/or complied with in form and substance satisfactory to USAID.

- a. A Memorandum of Understanding between NUCS and the Ministry of Agriculture explaining the roles and responsibilities of each institution in the development of Producer Marketing Organizations (PMOs) and its relationship with the MOA and the PMOs.
- b. Written evidence that staff positions are in place.
- c. Written evidence that the Government of Jamaica has approved the project for financing of J\$1,500,000 accompanied by a schedule for disbursement.

4. Covenants:

The recipient covenants to provide USAID within three months after signature of this agreement with an implementation plan in form and substance satisfactory to USAID which provides a schedule of PMOs to be assisted and developed.

5. NUCS agrees to utilize the services of U.S. Peace Corps Volunteers in the project as appropriate and to report to USAID on progress.

6. The contractor selected to provide technical assistance, provided they are not Jamaican citizens, shall be entitled to duty free privileges.

VI. STANDARD PROVISIONS:

Standard Provisions applicable to this Agreement are set forth in Attachment 2 hereto. Paragraphs 9B, 15B, and 15C of the Standard Provisions are hereby deleted.

NUCS TRAINING AND DEVELOPMENT PROJECT
 USAID CONTRIBUTION
 (U.S. DOLLARS)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>	<u>Totals</u>
I. <u>Technical Assistance</u>					
A. Salaries	38,000	40,660	43,500	—	122,160
B. Payroll Added Costs	10,260	10,980	14,100	—	35,340
C. Allowances	35,570	26,439	28,860	—	90,869
D. Furniture, Household Equip	22,110				22,110
E. Travel, Transportation and Per Diem	23,050	11,910	28,110	4,125	67,195
F. Other Direct Costs	3,000	9,076	4,000	9,560	25,636
G. Consultants	—	20,000	15,125	—	35,125
II. Sub-totals	131,990	119,065	133,695	13,685	398,435
III. Commodities (Vehicles)	44,000	—	—	—	44,000
IV. Administrative Allocation	17,815	13,370	24,530	1,850	57,565
V. Totals	\$193,805	\$132,435	\$158,225	\$ 15,535	\$500,000

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NUCS TRAINING AND DEVELOPMENT PROJECT
(U.S. DOLLARS)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>
1. <u>Technical Assistance</u>				
A. <u>Salaries</u>	<u>38,000</u>	<u>40,660</u>	<u>43,500</u>	----
1. Resident Advisor 36 mo \$38,000/yr plus 7% increase				
B. <u>Payroll Added Costs</u>	<u>10,260</u>	<u>10,980</u>	<u>14,100</u>	----
1. Fringe benefits at 27% of base	10,260	10,980	14,100	----
2. Terminal leave, 14 days of salary	----	----	2,350	----
C. <u>Allowances</u>	<u>35,570</u>	<u>26,439</u>	<u>28,860</u>	----
1. Post differential 15% of base	5,700	6,099	6,525	----
2. TQA- \$83/day for 90 days and 5 at end	7,470	----	415	----
3. Housing - \$1,200 month plus 10% increases	14,400	15,840	17,420	----
4. Education - \$2,250 year for 2	4,500	4,500	4,500	----
5. Curtains, screens, security systems	3,500	----	----	----
D. Furniture, Household Equipment	<u>22,110</u>	----	----	----

NUCS TRAINING AND DEVELOPMENT PROJECT
 TECHNICAL ASSISTANCE BUDGET
 (U.S. Dollars)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>
E. Travel, Transportation and Per Diem	<u>23,050</u>	<u>11,910</u>	<u>28,100</u>	<u>4,125</u>
1. Airfare-4 adults at \$750 to/from post plus 25% increase	3,000	----	3,750	----
2. Rest and recuperation to Mexico one r/t for 4 adults at \$750	----	3,000	----	----
3. Contractor supervision - 2 visits year plus 10%	900	990	1,090	1,200
4. Per diem for resident advisor - five days/mo. at \$100 for 10 months	5,000	5,500	6,050	----
5. Per diem contractor visits \$110/day 20 days/yr. 10% increase	2,200	2,420	2,660	2,925
6. Transportation Personal effects 40.00 lbs at \$2.00 year 1 and 2.50 year three.	8,000	----	10,000	----

NUCS TRAINING AND DEVELOPMENT PROJECT
(U.S. Dollars)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>
7. Airfreight 700 lbs at \$.350 to and \$4.50 from	2,450	---	2,800	---
8. Personal vehicle	1,500	---	1,750	---
F. <u>Other Direct Costs</u>	<u>3,000</u>	<u>9,076</u>	<u>4,000</u>	<u>9,560</u>
A. Evaluation				
1. Consultant fee				
18 days/\$200/day	---	3,600	---	---
18 days/\$225/day	---	---	---	4,050
2. Per diem				
21 days/\$1110	---	2,310	---	---
21 days/\$150	---	---	---	3,050
3. Air travel				
1 r/t at \$700	---	700	---	---
1 r/t at \$860	---	---	---	860
4. Other Costs	---	500	---	500
B. Other Direct Costs	3,000	1,966	4,000	1,000
G. Consultants	---	20,000	15,125	---
II. <u>Sub-total</u>	<u>131,990</u>	<u>119,065</u>	<u>141,205</u>	<u>13,685</u>
II. <u>Commodities</u>	44,000	---	---	---
IV. <u>Administrative Allocation</u>	<u>17,815</u>	<u>13,370</u>	<u>24,530</u>	<u>1,850</u>
V. <u>Totals</u>	<u>193,805</u>	<u>132,435</u>	<u>165,735</u>	<u>15,535</u>
VI. <u>Overall Totals</u>	---	---	---	\$500,000

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SUMMARY BUDGET
NUCS TRAINING AND DEVELOPMENT PROJECT
Local Cost Budget (Jamaican Dollars)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>	<u>Total</u>
I. Salaries and Study Stipend	190,000	132,000	60,500	66,550	449,050
II. Salary Added Costs	7,500	8,250	9,075	9,083	34,808
III. Travel, Transportation and Per Diem	153,750	104,363	43,560	47,917	349,590
IV. Training	20,400	73,970	39,050	6,655	140,075
V. Equipment	128,850	-----	-----	-----	128,850
VI. Other Direct Costs	13,800	15,180	16,698	18,368	64,046
VII. Indirect Costs	<u>63,430</u>	<u>33,376</u>	<u>16,888</u>	<u>14,947</u>	<u>128,641</u>
VIII. Contingencies	<u>51,270</u>	<u>50,861</u>	<u>51,229</u>	<u>51,580</u>	<u>204,940</u>
Totals	629,000	418,000	237,000	216,000	500,000

NUCS TRAINING AND DEVELOPMENT PROJECT
Local Cost Budget Detail
(Jamaican Dollars)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>
<u>Salaries and Study Stipend</u>	<u>190,000</u>	<u>132,000</u>	<u>60,500</u>	<u>66,550</u>
A. Project Director	24,000	26,400	29,040	31,944
B. Project Assistant	16,000	17,600	19,360	21,296
C. 15 PMO Managers at \$16,000/year three groups of five for six months each, two groups in the first year - one in second year, partial stipend only.	56,000	30,800	-----	-----
D. 15 PMO Assistants at \$12,000/yr, three groups of five for six months each two groups in the first year - one group in second year. Partial stipend only	42,000	23,100	-----	-----
E. 15 PMO Accountants - book- keepers at \$12,000/yr. three groups of five for six months each. Two groups in first year, one group in second year. Partial stipend only.	42,000	23,100	-----	-----
F. Secretary	10,000	11,000	12,100	13,310

NUCS TRAINING AND DEVELOPMENT PROJECT
Local Cost Budget Detail
(Jamaican Cost)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>
II. <u>Salary Added Costs at 15%</u>	<u>7,500</u>	<u>8,250</u>	<u>9,075</u>	<u>9,983</u>
III. <u>Travel, Transportation and Per Diem</u>	<u>153,750</u>	<u>104,363</u>	<u>43,560</u>	<u>47,917</u>
A. Per diem - Project Director at \$300/month	3,600	3,960	4,356	4,792
B. Per diem - Project Assistant at \$300/month	3,600	3,960	4,356	4,792
C. Travel - PMO trainees at \$200/month for 4 months by 30 trainees in years I, II, 15 trainees at \$330/month for 4 months	36,000	19,800	-----	-----
D. Transportation to/from training - \$1000 per in-house session, four sessions per group of five PMOs	12,000	6,600	-----	-----
E. Maintenance on a 4 vehicles at \$600/month each	28,800	31,680	3	38,333
F. Food/lodge for Training				
1. Mgrs. 13 days x \$75 x 5 per group	9,750	5,363	-----	-----
2. Assts. 12 days x \$75 x 5	9,000	4,950	-----	-----
3. Accountants. 12 days x \$75 x 5 per group	9,000	4,950	-----	-----
4. Board Members 7 x \$75 x 40 per group	42,000	33,100	-----	-----

HUCS TRAINING AND DEVELOPMENT PROJECT
Local Cost Budget Detail
(Jamaican Cost)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>
IV. <u>Training</u>	<u>20,400</u>	<u>73,970</u>	<u>39,050</u>	<u>6,655</u>
A. Lecture fees for in-house training \$1,800 per in-house session four sessions per group of five PMOs.	14,400	7,920	-----	-----
B. Observation Tours				
1. Local - two tours per year at \$2,500 each	5,000	5,500	6,050	6,655
2. Third country - one person from each cooperative at \$6,000 per person for transportation and per diem	-----	60,000	33,000	-----
C. Materials	1,000	550	-----	-----
V. <u>Equipment</u>	<u>128,850</u>	-----	-----	-----
A. IBM Computer and Software	40,000	-----	-----	-----
B. Four desks	4,000	-----	-----	-----
C. Four chairs	1,200	-----	-----	-----
D. One filing cabinet	1,400	-----	-----	-----
E. One typewriter	1,500	-----	-----	-----
F. Other office equipment	1,500	-----	-----	-----
G. 25 chalkboards	2,000	-----	-----	-----
H. 25 Flip Chart stands	6,250	-----	-----	-----
I. 50 Flip chart pads	2,000	-----	-----	-----
J. Two overhead projectors	4,000	-----	-----	-----
K. Copying machines	50,000	-----	-----	-----
L. Five motorbikes	15,000	-----	-----	-----

NUCS TRAINING AND DEVELOPMENT PROJECT
Local Cost Budget Detail
(Jamaican Dollars)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>
VI. <u>Other Direct Costs</u>	<u>13,800</u>	<u>15,180</u>	<u>16,698</u>	<u>18,360</u>
A. Rental - \$500/month	6,000	6,600	7,260	7,985
B. Telephone, cable, telex \$150/month	1,800	1,980	2,178	2,395
C. Office supplies - \$250/month	3,000	3,330	3,360	3,993
D. Auto Insurance \$500 per vehicle	2,000	2,200	2,420	2,662
E. Other office costs	1,000	1,100	1,210	1,331
VII. <u>Indirect Costs At 10%</u>	<u>63,430</u>	<u>33,376</u>	<u>16,888</u>	<u>14,947</u>
VIII. <u>Contingencies</u>	<u>51,270</u>	<u>50,861</u>	<u>51,229</u>	<u>51,580</u>
Totals	629,000	418,000	237,000	216,000
Overall Total	---	---	---	1,500,000

NOTE: An inflation factor of 10% per year has been built into this budget.

NUCS TRAINING AND DEVELOPMENT PROJECT
Estimate of Counterpart Funding Contribution
(Jamaican Dollars)

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>
<u>FROM EXISTING RESOURCES</u>				
Based on 1983 budget figures and estimated 20% increases per year				
- NUCS	135,000	162,000	194,400	233,280
-Cooperative College	<u>205,000</u>	<u>246,000</u>	<u>295,200</u>	<u>354,240</u>
Subtotal	340,000	408,000	489,600	587,520
<u>FROM OTHER SOURCES</u>				
Capital obtained for two new NUCS services at an average of \$500,000 each	-----	500,000	500,000	-----
Totals	340,000	908,000	989,600	587,520
Overall Total	----	----	----	2,825,120

NOTE: In addition to the costs directly associated with the implementation of the PMO component of the Agricultural Marketing Program, NUCS and the Cooperative College will continue to support their normal operating costs including personnel, transportation, rent, supplies, fees, etc. It is further contemplated that one or two new services will be created for the PMOs and NUCS existing membership. These will require capital investments by NUCS. The normal operating costs and the capital investment constitute NUCS' counterpart contribution.

G. IMPLEMENTATION SCHEDULE
NUCS TRAINING AND DEVELOPMENT PROJECT
Activities (responsibilities)*

	Year One				Year Two				Year Three				Year Four			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
9. Identification and selection of up to 36 PMO trainees for manager, accountant, bookkeeper and field assistant in groups of 6, 9 or 12. (PMOs, RONCO/ACDI, MACD, NUCS)																
10. Identification and selection of Board members for training in groups of 8 to 12 (PMOs, NUCS, RONCO/ACDI)																
11. Identification and selection of potential farmer members for training.																
12. Conduct training of PMO management and staff trainees (Advisor, NUCS)	-----															
a. In-house training (2 weeks) trainees.	X		X		X											
b. On-the-job training (8 weeks)	-		-		-											
c. Problem-solving sessions (3 days) and further on-the-job training		X		X		X		X	X	X	X		X		X	
13. Training for PMO Board members (1 week)	-----															
a. Inhouse training (1 week)	X		X		X											
b. On-the-job training (12 weeks)	-		-		-											
c. Problem-solving sessions (2 days) and further on-the-job training.		X		X		X			X	X		X		X		

LOGICAL FRAMEWORK MATRIX - NUCS TRAINING/DEVELOPMENT PROJECT

NARRATIVE SUMMARY	OBJECTIVE VARIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>GOAL</u></p> <p>To support success of the Agricultural Marketing Project which will improve the incomes of Jamaican farmers who become members of the Producer Marketing Organizations.</p>	<ol style="list-style-type: none"> 1. Increase in productivity of at least 10-15% for the majority of PMO members 2. Increase in incomes in real terms (purchasing power) of at least 5% per year over the life of the project of a significant portion of the members. 	<p>No specific goal evaluation effort will be undertaken as part of this supportive project. Final evaluation surveys, etc. will be those conducted as part of the Agricultural Marketing Project.</p>	<p>That conditions for success of the Agricultural Marketing Project remain favorable, and that inputs other than cooperative training are adequate.</p>
<p><u>PURPOSE</u></p> <p>1. To help Jamaican agriculture producers with the organization of Producer Marketing Organizations that operate according to accepted cooperative business principles and that provide marketing and/or processing services/facilities for members by training directors, management staff and farmers.</p>	<ol style="list-style-type: none"> 1. Up to 15 viable PMOs with the following characteristics: <ol style="list-style-type: none"> a. Professional management b. Up-to-date and efficient accounting systems; c. Financial statements produced on a monthly basis; d. Have achieved, expect to achieve viability within the near future; e. Operate one or more Assembly and Grading Stations; f. Operate according to U.S. Cooperative principles although not necessary organized as such under Jamaican Law, e.g., one member, one vote. g. Have high degree of member/owner participation; h. Be owned by members who are also producers 	<ol style="list-style-type: none"> 1. Progress Reports 2. Quarterly and year-end financial statements, and annual reports from PMOs. 3. Midterm and final evaluations 4. Beginning of Project status report and end of tour reporting Advisor. 5. PMO records 	<p>That qualified and interested trainees are available, preferably from communities in the PMO areas.</p> <p>That PMO Boards will be willing to hire as managers and staff trained candidates they nominated for training and pay them at rate to induce continued employment</p> <p>That PMO members that will take the training to heart and establish responsible PMO policies.</p> <p>That the farming communities in the respective areas will respond, join and patronize the PMOs.</p>

II. LOGICAL FRAMEWORK MATRIX - NUCS TRAINING/DEVELOPMENT PROJECT

NARRATIVE SUMMARY	OBJECTIVE VARIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>PURPOSES (cont.)</u></p>	<p>2. Specific EOPS conditions mentioned in the logical framework matrix in AID's Project Paper No. 532-0060.</p>		<p>4. That Government actions and policies do not compromise the PMOs ability to be profitable.</p> <p>5. That the business viability of the Assembly and Grading Stations is borne out in practice or that flexible alternatives are adopted in their place.</p>
<p>2. To strengthen the National Union of Cooperative Societies (NUCS) as a viable third order cooperative service organization, capable of self-sustained growth and having the ability to assist Jamaican cooperative businesses through the provision of specialized training and technical assistance, and the provision (direct and indirect) of such services as sale of agricultural supplies, credit, insurance, packaging, promotion and/or others to the extent these prove viable targets of business opportunity.</p>	<p>1. Professional management in NUCS</p> <p>2. A training facility operating on a regular basis and offering courses required by PMO cooperative management and leadership.</p> <p>3. A strong beginning made on the provision of one or more of the following services to members on a sound business basis:</p> <ul style="list-style-type: none"> a. Credit b. Bulk procurement and distribution of packing supplies, equipment and/or agricultural inputs. c. Export marketing d. Advertisement and market development. e. Wholesale marketing facilities. 	<p>1. Progress Reports</p> <p>2. Quarterly and year-end financial statements and annual report from PMOs.</p> <p>3. Midterm and final evaluation</p> <p>4. Beginning of project status report and end of tour report of Advisor.</p> <p>5. NUCS annual report and financial records</p>	<p>1. That the PMO will be willing to pay full cost for needed follow-up training.</p> <p>2. That NUCS members will be willing to pay full cost plus reasonable margin on new services to be provided by NUCS.</p> <p>3. That financially viable services can be identified which will provide NUCS with substantial revenues.</p>

H. LOGICAL FRAMEWORK MATRIX - NUCS TRAINING/DEVELOPMENT PROJECT

NARRATIVE SUMMARY	OBJECTIVE VARIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>OUTPUTS</p> <p>1. Training of PMO Board members management and membership.</p> <p>2. Financially viable Producer Marketing Organizations.</p> <p>3. Financially and operationally viable training and service organization.</p> <p>4. Financially viable and needed services for PMOs and other cooperative-type organizations</p>	<p>1. Up to 120 Board members (8 per PMO), 45 managers, accountants and field assistants (3 per PMO) and 1,500 farmer members (100 per PMO) trained.</p> <p>2. Up to 5 PMOs having achieved or about to achieve financial viability within the near future in terms of membership growth, production increase, provision of services to membership, sales (marketing), and profitability of operations.</p> <p>3. NUCS providing ongoing services and training to PMOs and other Cooperative members on a self-sustaining basis by end of project.</p> <p>4. NUCS operating, on a potentially profitable basis, one or more of the following services:</p> <ul style="list-style-type: none"> a. Credit b. Packing, equipment and/or agricultural supplies c. Export marketing d. Advertisement and market development e. Wholesale marketing facilities. 	<p>1. Progress reports</p> <p>2. Quarterly and year-end financial statements and annual reports from PMOs.</p> <p>3. Midterm and final evaluations</p> <p>4. Beginning of project status reports and end of tour report of advisor</p> <p>5. PMO records</p> <p>6. NUCS annual reports and financial records.</p>	<p>1. That leading Board members will take time for workshops.</p> <p>2. That qualified and interested trainees are available, preferably from communities in the PMO area.</p> <p>3. That PMO Boards will be willing to pay the full cost for needed follow-up training.</p> <p>4. That NUCS members will be willing to pay full costs plus reasonable margin on new services to be provided by NUCS.</p> <p>5. That PMO Boards will be willing to hire as managers and staff trained candidates type nominated for training and pay them at rates to induce continued employment.</p> <p>6. That PMO members that will take the training to heart and establish responsible PMO policies,</p>

LOGICAL FRAMEWORK MATRIX - NUCS TRAINING/DEVELOPMENT PROJECT

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>1. <u>INPUTS</u></p> <p>Contractor</p> <p>A. Management assistance and coordination with other institutions.</p> <p>B. Monitoring, consulting and supervisory visits.</p> <p>C. Midterm and final evaluation.</p> <p>D. PMO Board and staff training visits to third country.</p>	<p>One full-time advisor for three years</p> <p>Contractor's head office visits - two per year over life of project.</p> <p>Second and fourth year.</p> <p>Fifteen (15) persons over life of project.</p>	<p>1. Progress Reports</p> <p>2. Quarterly and year-end financial statements</p> <p>3. Midterm and final evaluations.</p> <p>4. Beginning of project status report and end of tour report of Advisor.</p> <p>5. NUCS Annual reports and financial records.</p>	<p>1. That the scheduled inputs of MACD and other institutions involved in the over-all project are made available as projected.</p> <p>2. That the disbursement of funds and the contractual arrangements do not cause any obstacles or delays in the program.</p>
<p>2. <u>NUCS</u></p> <p>A. Experience base</p> <p>B. Membership</p> <p>C. Personnel</p> <p>D. Financial Activity</p>	<p>Ten years of operation during which time they have offered such services as training, information, insurance and representation.</p> <p>Seventeen, second and first level cooperative organizations with a combined membership in excess of 350,000.</p> <p>Seven full-time employees</p> <p>Assets in excess of J\$280,000 and an annual budget of approximately J\$335.000</p>		

H. LOGICAL FRAMEWORK MATRIX - NUCS TRAINING/DEVELOPMENT PROJECT

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>3. <u>AID</u> Donated funds for technical assistance and start-up costs</p>	<p>₡420,875 over four years for technical assistance.</p> <p>US\$1,415,060 over four years for start-up costs of cooperative training component.</p>		
<p>4. <u>MACD</u> A. Personnel B. Financing</p>	<p>Ninety-six person-team plus RONCO/ACDI technicians</p> <p>MACD annual budget</p>		

Description of Activities*

A Producer Marketing Organization is a group of farmers, constituted into a legal entity such as a cooperative established under the cooperative laws, or an association established as a limited liability company, to undertake the marketing of members crops and to supply production inputs to its members.

The organization, once established, will be a private sector business operated by farmers for farmers. Whether constituted as a cooperative or a limited liability company or in some other form, the organization will operate on cooperative principles. This means that farmers will market their products and obtain services for themselves more effectively or more economically than they could individually.

In marketing their products through the organization as one, the farmers will share the ups and downs of the market. The organization will develop a marketing strategy which will be geared to the area, the capabilities of the farmers and the market. In addition, the organization's Market Manager, because of his every-day involvement in the market, will have a strong influence on the commodities produced by the members and the timing of planting and harvest.

The proposed activities for promoting and creating a PMO are divided into three stages - identification, development and implementation.

1. Identification Stage

This basically involves the identification and selection of production areas, products, etc; the identification of leaders and innovators; the formation of a planning committee and the conducting of a socio-economic survey.

The identification of potential areas or groups of farmers, and the selection of sites for Producer Marketing Organization/Assembly and Grading Station will be undertaken on a case-by-case basis. Indications of interest are expected to come from farmers themselves or from Production and Marketing Extension Agents, NUCS, Jamaica Agricultural Society Representatives, community leaders, Land Authority and other sources.

In undertaking preliminary identification activities and evaluation of potential groups, information and data will be collected from primary and secondary sources and informally from the proposed areas, to ascertain producer and market intermediary interest. Criteria for the selection of station sites and producer groups will include the following:

*It should be noted that the PMO component (excluding formal training) is an on-going activity, and that several PMOs and potential PMOs have already progressed through many of the steps described herein.

- a. Producer and/or higgler interest in joining together in a marketing activity.
- b. Production know-how of producers.
- c. Volume of particular crops within a reasonable radius.
- d. Adequacy of feeder roads.
- e. Availability of utilities.

Producer groups which will participate in the development and operation of stations will then be selected by Marketing Division and NUCS staff, together with Jamaica Agricultural Society personnel, land authority, agricultural and production extension agents and other pertinent agents. In some cases the selected producer group will be an existing organization, and other times, the PMO will have to be developed from scratch.

It is proposed that a Producer Marketing Organization should start with a nucleus of leaders, produce (nine, eleven or thirteen) whose selection will be based on farming and business experiences. Key farmers and community leaders will be utilized to the fullest extent. This group will be designated a Steering Committee. Such a committee will be fully involved in the initial stages in organizational activities, such as planning and conducting meetings, developing strategies and plans for the development of the organization, arousing the interest of potential members, keeping them informed of marketing plans and preparing them for the impending socio-economic survey.

a. The Socio-Economic Analysis

Following the preliminary selection of producer groups, subjective evaluation of the proposed area and the undertaking of preliminary activities leading to the possible establishment of an Assembly and Grading Station, a formal socio-economic survey will be utilized to ascertain the degree of participation of farmers in the Producer Marketing Organization. The survey will also be used to determine the interactions and resulting effects between the proposed organization and the existing social structure of the area, and the economic viability of an AGS in the area.

The methodology to be utilized in undertaking a socio-economic survey will be dependent upon the size of the area and the population. In those cases where only a few growers are to form a PMO/AGS, a 100 percent sample will be taken. In general, however, the population will be fairly large and a random sampling technique will be utilized.

The survey will be based on a probability sample. It is anticipated that a list of farmers will be available for all areas. The technique utilized will be a two-stage probability sample. The first stage will consist of a (random) selection of districts or primary sampling units (PSU) within the area of study. The second

stage will be a random selection of farmers or secondary sampling units (SSU) within the selected PSU's.

Intermediaries operating within the area of study will also be identified through production extension personnel and through farmers interviewers. In addition, Area Marketing Extension Agents, and Research Unit and Commodity Unit Specialists from the MOA will travel the area on principal buying days to identify and interview intermediaries. Interviews will be conducted as intermediaries are identified, where possible. At least 50 percent of intermediaries operating (buying) in an area will be interviewed. This excludes parish markets. Only intermediaries actually buying in the producing areas will be included.

The actual survey will be the responsibility of the steering Committee and/or existing management. However, the design, field execution and analysis of results will actually be conducted by the MACD/MOA and NUCS who should have a substantial involvement in the field gathering data, interviewing farmers and formulating the basic business plan of the marketing activities. As this is an ongoing activity, survey questionnaires and methodologies have already been established and field tested on several of the existing PMOs.

B. The Financial Analysis

After completion of the site selection process and the socio-economic survey, a financial analysis of the marketing activity and the operations of the proposed Producer Marketing Organization (PMO) will be undertaken to determine its overall feasibility.

The financial analysis will take into account and determine the factors listed in the following seven steps:

Step 1: The volume and value of the commodities in the area will be estimated as part of the preliminary site selection process.

Step 2: The results from the socio-economic survey and from the meetings with farmers, community leaders and Marketing Division staff, will form the basis for determining the anticipated amount of farmer participation in a PMO. Quantitative and qualitative projections (e.g., number of farmers, type of crops, volume of crops, value of crops) will be calculated in this, one of the most vitally important first steps.

Step 3: The degree of farmer interest and the type, quantity and quality of crops they grow will be used to determine the requisite size and composition of Assembly and Grading Station and the resulting cost. The Marketing Division will also take into account the location and availability of local infrastructure and unused facilities as alternatives to the construction of the new facilities.

Step 4: Fixed or capital costs will be based on the determinations in Step 3. The calculation of variable or operating expenses will be based on estimates of cost of labor, utilities, material, transportation and etc., and will vary with the amount of through-put.

Step 5: An estimate of yearly through-put will be derived by examining the projections of volume to be provided by proposed members and the capacity of the proposed equipment. The equipment to be utilized will be of varying degrees of sophistication and at the break-even point should have a substantial amount of excess capacity.

Step 6: From the information generated in the preceding steps and from the socio-economic analysis, the final business plan will be developed by the PMO trainees and the steering committee with assistance from the NUCS and MACD staff and expatriate advisors. The business plan will include but not be limited to: capitalization (member equity) requirements, per unit returns to generate the cash flow necessary to meet operating expenses, projections on volumes of produce, fertilizer/supplies sales, membership numbers, credit volumes and interest rate margins, etc.

Step 7: The final step in the overall analysis will be a composite of the results from all preceding steps. The litmus test at this point will be whether the anticipated level of through-put, value of product and other business margins are sufficient to allow for an acceptable level of per unit returns to cover the operating expenses capitalization requirements, and provide the farmer/member an acceptable net return for his produce. The PMO should approve the final business plan, investment levels, etc.

2. Development Stage

This stage will involve the planning of a detailed design to get the Producer Marketing Organization established and the Assembly and Grading Station constructed and the signing of an agreement with the MOA concerning the cost and eventual payment for the building and equipment.

In planning the detailed design, consideration will be given to the following:

A thorough discussion of the socio-economic and financial analysis.

Where will the place or places of business be established?

How many commodities will the organization attempt to handle at the beginning? Later?

From how big an area will members be accepted?

What name is suggested?

Will the organization be a cooperative or some other type of organization?

Will there be any limitation on the least volume of business that possible members will give to the organization?

How many potential members are there, and how many of them will participate?

What will be the membership fee of the organization?

What plan is proposed to secure maximum membership?

Will the organization do business with non-members? To what extent and what fee?

How will the Board of Directors be chosen?

What type of manager will be employed?

What reports will the manager and the Board of Directors give to members? How often?

Once decisions have been reached on these and other considerations and actions taken where necessary, the committee and the PMO trainees will draft the legal organization papers. These include:

a. Articles of Incorporation

These are statements of the kind and scope of business the organization is designed to do. These articles usually contain:

- o name of organization
- o principal place of business
- o purpose and powers of the organization
- o names of the incorporators
- o specification of the capital, and
- o structure of the organization

b. Bylaws

- o requirements for membership and rights and responsibilities of members
- o how membership meetings are called and conducted
- o how voting is done
- o how directors and officers are elected and their number, duties, terms of office and compensation
- o time and place of Director's meeting
- o dates of the fiscal year

- o other rules for the management of the association:

C. Marketing Agreement/Membership Application

A Marketing Agreement/membership application states the duty and intent of the member to deliver a specified amount or percentage of his production to the organization. It sets forth the responsibilities of the organization to the members as well. It also outlines the methods of capitalization and deductions from gross sales for all necessary organization expenses.

In this agreement also, the organization agrees to accept specified products, to market them to the best of its ability and to return to members all proceeds of such marketings less deductions for expenses, capital and reserves.

Following the preparation of the legal documents, the organization will be registered and the Board of Directors chosen. The Board of Directors will be responsible for completing the final developmental activities. These will include:

- o hiring of PMO manager
- o refining of marketing strategies
- o preparing financial plans
- o having management and staff trained
- o reviewing preliminary assembly and grading station design
- o approving construction of the assembly and grading station and procurement of equipment
- o establishing vehicle requirements and placing orders; and
- o taking over the facility

At this time, a comprehensive, classroom and hands-on training component will be initiated by the National Union of Cooperative Societies (NUCS) in close collaboration with the technicians of MACD. Practical, on-the-job training will be stressed and all levels of personnel (manager, bookkeeper/accountant, board members and general membership) will be included. Due to the critically important nature of this portion of the activities, not only to the project, but to this particular proposal, the training component will be described in a separate section (III.E.) below.

3. Implementation Stage

The PMO will go into full operation on completion of all of the activities mentioned above.

The strength and success of the organization will be directly dependent upon the involvement and participation of the producer members, and upon the Board of Directors and management to guide the organization and make it a viable business enterprise.

NUCS and MACB staffs will continue to monitor the activities of each organization, and NUCS will continue to provide specialized training, as required.

In addition, the full-time input of Peace Corps Volunteers, Partnership for Productivity professionals, and persons from similar organizations will be recruited, as necessary, and in consultation with the PMOs, to assist in the monitoring and implementation of activities vital to the growth of the organization.

Of critical importance during this phase of activities will be the development of an attitude that the PMO is a business venture a not a gift.

In order for the PMO to become a viable enterprise that benefits the farmer members, members will be expected to make an input into the organization of not only time and effort, but financial as well, for the long-term strength of the organization will be based in large part on its capital structure.

Membership growth of the organization should also become an ongoing priority function during this stage.

Several additional aspects of the program will also come into the forefront during the implementation stage:

A. Farm Supply and Service Centre

When the building is completed, the PMO will be encouraged to set up a farm supply store which will purchase agricultural inputs (fertilizer, insecticides, fungicides, herbicides, small tools and implements and containers) in bulk to sell to members. Presently small farmers do not have easy access to such inputs, but through the farm supply store, the PMO members will be able to purchase these inputs and obtain credit for this purpose. It is hoped that either the JAS Farm Supply Company, or NUCS (via a service centre created for this purpose) will supply all the necessary inputs to the farm supply store. In addition, it is possible that each Producer Marketing Organization will be able to operate a transportation service whereby inputs will be taken to the farmers at the farm gate and produce taken from the farm to the AGS, if proven to be a need of the members and this aspect of the business is able to operate on a viable financial basis.

Producer Marketing Organizations in their first four years of Operation will be eligible for financial support from the Marketing and Credit Division on the following basis:

o Capital inputs, building, equipment and truck will be provided by the Marketing and Credit Division and leased to the PMO for a period of four years, after which it will be determined whether or not the PMO is financially strong enough to purchase them, and the necessary sale agreement completed.

Where the PMO is not in a position to purchase the facilities, other arrangements will be sought and, as a last resort, the facilities could be sold.

o Marketing and Credit Division will also cover the shortfall in expenses for a period of four years as follows:

Year	MACD's input
1	up to 100%
2	up to 75%
3	up to 50%
4	up to 25%

C. Credit

As a private sector agribusiness operation, the PMO will have access to credit from the Agricultural Credit Bank under its agribusiness loan program. Funds will be channelled through commercial banks, peoples cooperative banks and possibly NUCS itself to provide:

- o Foreign exchange and immediate credit financing of existing agribusiness operations
- o Consultant services from foreign sources to assist them in carrying out the installation and startup of new operations and management of ongoing operations.

- o Working capital requirements
- o Pre-investment funds for the identification and of agroindustrial projects.

In addition, the Jamaica Cooperative Credit Union League (JACCUL) either directly or through NUCS will be another potential source of credit for PMOs that are cooperatives and credit unions that qualify under their requirements.

The newly established Jamaica Agricultural Development Foundation may also be another source of credit.

An implementation schedule, outlining the various activities described above, is set forth in Section III.C.

Training

Training, at all levels of the proposed PMO, will be a critically important factor in assisting these organizations to become viable businesses over the next four years.

In order to better understand the didactic requirements of the PMOs, one needs to first be aware of the organizational structure and functions of the various participants.

1. Producer Marketing Organization Structure

When fully established, the structure of a PMO will consist of:

- a. The farmers in a prescribed area who are producing at a required standard and who have decided to join the PMO.
- b. A Board of Directors (Committee of Management) drawn from among the members and accountable to them.
- c. A manager employed by the board and fully accountable to the Board.
- d. A field assistant accountable to the manager.
- e. An accountant/bookkeeper accountable to the manager.

If the PMO is a previously established organization, the structure may not be developed as outlined above.

2. Functions of the Board/Committee

The Board of Committee decides on the overall objectives of the organization and formulates policies to achieve these objectives. This includes appropriate bylaws and/or articles of incorporation for approval by the members.

It is the duty of the Board to provide policy initiatives, general supervision and guidance to the management during project implementation so as to attain and maintain viability.

The Board is required to ensure that member/farmers are educated in understanding their role in the project and that the proper attitudes are developed which will contribute to the success of the project.

One major responsibility which the board must become aware of very early is the building up of capital or member equity. Capital building plans are very important as the very existence of the business will depend on its capital structure, growth and cost to the business.

3. Functions of the Manager

The manager of the PMO will be required to have a fair knowledge of agriculture. He/she might be a graduate of a tertiary institution such as the Jamaica School of Agriculture and have several years experience in agricultural extension or a middle management person in an agriculturally oriented private business. Alternatively, and in so far as possible, the PMO Boards of Directors should be encouraged to seek experienced people who have proven themselves as capable fruit and vegetable marketing intermediaries who know the farming community and are in turn known by the farmers as successful and trustworthy marketers. Operating higglers should be interviewed and seriously considered as potential candidates for the PMO manager position.

Briefly, his/her duties include:

- o Market member produce and the day to day management of the PMO
- o Submit regular reports to the Board
- o Supervise the field assistant, the accountant/bookkeeper other employees
- o Assist in member training, education and communication programs.
- o Ensure that the PMO operates at a level to ensure viability
- o Hire and fire personnel

4. Functions of the Field Assistant

The field assistant should also have a knowledge of agriculture and formal training at the tertiary level if possible. Also, the candidates should have a minimum of two years of experience in agricultural extension, marketing, input supply sales and/or some other relevant position. His or her duties will include:

- o Promote the business services of the PMO among member farmers (selling input supplies, ensuring members are delivering produce to the AGS, that they are getting credit on time, etc.).
- o Keep farmer members informed as to operating policies and procedures of the PMO and as to the business aspects of their organization. Answer questions regarding individual farmer member accounts and communicate member concerns, ideas, suggestions and complaints to management.
- o Determine specific training needs of members and participate in training activities to be conducted by existing PMO staff and/or by outside organizations such as NUCS, MACD, etc.
- o Ensure to the extent possible, recommended production techniques and marketing standards are followed and maintained from the field to farm gate and to the AGS.
- o Conduct surveys and coordinate planting so that the PMO is able to accurately estimate volume timing and type of produce to be marketed and/or processed.

5. Functions of the Accountant-Bookkeeper

The accountant-bookkeeper should have practical hands on experience keeping accounting books and records for private business concerns. He/she should have tertiary level training in accounting, to the extent possible and practical. His/her duties will include:

- o Keep all accounting books, records and accounts for the PMO to accurately reflect the handling of funds by the PMO
- o Prepare financial statements and other statements for management and Board consideration.
- o Keep records to document member investment in the PMO member purchases of supplies, member deliveries of the various produce items handled by the PMO, member credit balances and movement of the accounts receivable of the PMO.
- o Manage the "store" and perform other management/accounting duties necessary to ensure the viability of the PMO as a business.

6. Role of Farmer/Members

The duties and responsibilities of farmer/member will revolve around the following:

- o Willingness to serve on committees and otherwise support the organization

- o Agreeing to retention of surplus for capital build up within the PMO
- o Agreeing to a pricing system which will allow adequate margin of surplus to the organization to meet expenses and reserves
- o Maintaining the required level of quality in produce
- o Fulfilling contracts including the marketing agreement/ membership application
- o Observing the bylaws and the articles of incorporation

7. Involvement of NUCS

It is proposed that the NUCS through its educational arm, the Cooperative College, should assume responsibility for the training component of the PMO project in coordination with the MACD and expatriate advisors.

NUCS will appoint its Principal Instructor, Mr. Samuel ^{James} Jones, to head up the training aspects of the project, and name and replacement for him on the regular staff. He will be assisted by one additional person and the resident training advisor to be hired under this proposed grant.

After the initial organizational meetings that were described above as part of the Identification Stage, priority will be given to beginning the training component with the first group of PMO trainees. With an active input from the PMOs and MACD technicians, two or three persons will be chosen from each area for a maximum of six months of training. Up to 45 persons will be facilitated in this manner, accepting groups of trainees up to 10 to 12 (4 PMOs) each training period.

Selection of the PMO trainees will be critically important to the eventual effectiveness of the PMO, and the process will be the joint responsibility of NUCS, in coordination with the MACD and expatriate advisors, and the PMO Board of Directors and/or the planning committee. NUCS will inform the PMO Board and/or steering committee about the eventual role of the trainees, indicating the types of skills that will be needed by these persons. The PMO will then identify potential candidates from within the community or surrounding area that they feel they could work with and who fulfill the requirements. NUCS and the PMO board and/or steering committee will then interview all of the candidates, analyzing their respective strengths and weaknesses, before agreeing who should be chosen. In this manner, it is felt that qualified persons will be selected as trainees that are trusted by and acceptable to the local group.

The trainees will receive a stipend while they are considered trainees. As such they will not be considered as employees of NUCS as no employer-employee relationship will exist. While undergoing training and for a maximum of six months the trainees will be under direct supervision of the NUCS. As the PMO's obtain legal recognition, sign their contract with the MACD and begin to operate, they will hire the trainees as managers, accountants and field assistants.

Much of the on-the-job training received by the trainees will revolve around organizational work, the completion, the business plans of the respective PMOs as well as the training activities for the boards of directors and farmer members; all of which will be supervised by the NUCS, with assistance from MACD and expatriate advisors.

Overlapping with the first several days of the in-house work of the PMO trainees, NUCS will hold concurrent training sessions for the Boards of Directors of these same PMOs. Groups of up to 40 (eight per PMO) will thus be served each six month period, and potentially 120 overall. At an appropriate time during the flow of activities, one or two Board members from each PMO will be invited to visit a cooperative in the U.S. or other country as part of the training.

Last but not least, the farmer/members will be attended with specific material for their level. It is expected that an average of 100 persons per PMO will receive this type of training, 500 per training period and 1,500 overall.

A detailed look at the training objectives, content and methodology follows:

7. Training Objectives, Contents and Methodology

An assumption regarding the level of knowledge and experience of the people who will be involved in the projects as well as the functions of the various sectors and the nature of the project, suggest the need for training structured as follows:

a. Manager/Trainees

The objective here is to provide the trainees with adequate knowledge and skill and the correct attitude to manage the PMO at a viable level.

The content of the management level training will include, but not be limited to:

- o Objectives of the project and steps to its achievement
- o Thorough understanding of his/her job description
- o Structure of the PMO project and role of each sector

- o Principles of member owned/controlled organizations
- o Elements of rural social structure
- o Group dynamics
- o Communication process
- o Human and Public Relations
- o Marketing (History of domestic marketing in Jamaica. Domestic and export marketing of perishable agricultural produce at present)
- o Quality control of products
- o Elements of business management
- o Record keeping (accounting and other records)
- o Effective reporting
- o Basic functions of management
- o Budgeting
- o Relevant elements of mercantile law

The Methodology will be as follows:

- o Trainees recruited at a given time should be collectively exposed to ten days of inhouse training
- o Followed by on-the-job training for eight weeks
- o This will be followed by three days in-house training with an emphasis on problem-solving based on job experience
- o Continuation of on-the-job training for up to six months

b. Field Assistant Trainees

The objective here is to provide field assistant trainees with adequate knowledge and skill, and the correct attitude to successfully promote the business aspects of the PMO among the farmer members and to able to successfully carry out his/her other activities and duties as outlined earlier.

The content of this level of training will include but not be limited to:

- o Objectives of the project and steps to achieve these
- o Thorough understanding of his/her job description

- o Structure of the PMO project and the role of each sector.
- o Elementary salesmanship techniques
- o Principles of member owned/controlled organization
- o Elements of rural social structure
- o Group dynamics and extension techniques
- o Elements of the communication process
- o Human and public relations
- o Introduction to Marketing
- o Quality control of products and recommended planting, harvesting and cultivation practices

The methodology followed is similar to that of the manager trainee.

- o Ten days inhouse training
- o Eight weeks of on-the-job training
- o Two days inhouse training geared towards analyzing problems experienced on the job
- o Continuation of on-the-job training for up to six months

c. Accountant-Bookkeeper Trainees

The objective of this training component is to adequately equip the accountants-bookkeepers to accurately and systematically keep track of the PMO finances, accounting records and member accounts (equity, input supply sales, produce deliveries and credit due).

The content of this level of training will include but not be limited to:

- o Objectives of the project and steps to achieve these
- o Thorough understanding of his/her job description
- o Structure of the PMO project and the role of each sector
- o Principles of member owned/controlled organizations
- o Accounting principles and methods applicable to member owned and controlled business organizations
- o Preparation and interpretation of PMO financial statements

- o warehouse, inventory and retail store accounting and control procedures and records

The methodology to be followed will be similar to that of the other categories of PMO trainees, i.e., a short in-house training experience followed by alternating on-the-job activities and brief periods of follow-on in-house training sessions. Additionally, NUCS will constantly visit the PMOs and through this visitation process additional training experiences will be generated.

D. Boards or Management Committees

The objective here is to equip the Board/committee to perform their functions at the level required to sustain viability of the PMO. The PMO trainees will participate in a hands-on fashion with all aspects of this training both in the classroom and the field as on-the-job training. The contents of training for Board members will include but not be limited to:

- o Thorough understanding of the structure and organization of the PMO
- o Duties and responsibilities of the Board/Committee
- o Functions of manager, accountant-bookkeeper and field assistant
- o Relationship of Board to Management
- o Role of member/farmers
- o Methods of projecting financing
- o Interpretation of financial statements
- o Management of funds (understanding budgets and cash flow)
- o Leadership (Characteristics of good leaders)
- o Conduct meetings
- o Planning
- o Decision making process
- o Elements of Marketing (domestic and export of perishables agricultural produce)

The methodology will be as follows:

- o Five days inhouse training (leaders from 2 or 3 projects)

- o Guidance in project - (meetings, planning, etc. for three months)
- o Continuation of local training by way of guidance for up to six months
- o Visit to marketing projects, local and overseas

The methodology will be as follows:

- o Five days in-house training (leaders from 2 or 3 projects)
- o Guidance in project - (meetings, planning, etc., for three months)
- o Continuation of local training by way of guidance for up to six months
- o Visit to marketing projects, local and overseas

D. Farmer/Members

The objective here is to develop the attitudes necessary for farmer/members as producers to perform their role in the system adequately.

The contents of these sessions will include:

- o Thorough understanding of the structure and organization of the PMO
- o Role of farmer/member in the PMO
- o The marketing system formulated by the Board/Committee
- o Understanding the Bylaws and Articles of Incorporation
- o Function of the Board/Committee
- o Necessity for equity build-up and reserves
- o Producing for a market (quality, produce handling, reaping, selection, transport)
- o Funding of the PMO.

The methodology will be as follows:

The rank and file members will be trained by the Field Assistants and/or PMO trainees and MACD under the guidance of NUCS staff personnel. Training will take place at local group level in villages and individually.

F. Technical Assistance

Although the various technical assistance roles have been described throughout the previous sections that outline the project's numerous activities, the importance of those inputs bears repeating here in summarized fashion.

At least five types of technical assistance can be identified as part of the overall format, not all of which will be financed through the funding of this proposal.

First and foremost is the activity of the AID/RONCO PMO advisor working at the MCA to develop a capability within the MACD to identify and service producer-owned organizations through a series of in-kind, tangible and informational inputs. The advisor in this case has been assigned to work with/through a MACD counterpart as part of the implementation strategy.

At the National Union of Cooperative Societies Ltd., a second advisor (paid for under this proposal) will be contracted to work on a two-pronged set of objectives. The first of these will be to assist the Cooperative College in its efforts to mount a training, technical assistance and extension arm that will focus its activity on the creation, development and long-term viability of the PMOs. In this capacity, this person and his/her counterparts will be in close communication with MACD personnel and functions very much in tune and coordinated with the RONCO/ACDI advisor/team. The advisor will also be directly by PMO Trainees, and conducting training activities. As a second set of objectives, the NUCS advisor will also help NUCS management to design and implement one or more new services that will both benefit the PMOs, as well as helping to provide the financial basis for sustaining NUCS and the College over the long term.

A third kind of technical assistance input by means of supervisory trips twice a year from the NUCS advisor's head office will be aimed at counselling the resident NUCS advisor and personnel concerning specific aspects of the project that might require the attention of someone who has faced similar situations in other programs will also be funded vis-a-vis this project.

A fourth type of technical assistance can be applied by the existing RONCO/ACDI advisors and headquarters personnel and their MACD counterparts. In particular, the training advisor at MOA will be called upon to support the development of a training component for PMO managers, Board members and farmer owners in general. His colleagues -- advisors in fruits and vegetables, livestock, economics, information and quality assurance -- will be available for both in-house training sessions, and more importantly, practical, hands-on consultations at the sites of various PMOs.

Technical assistance at a fifth level -- the PMOs -- will be extended on a day-to-day basis by a number of sources. Already working in this manner are a variety of technicians that have been contracted under separate funding documents. For example, two ACDI advisors will be splitting their time, 50% with the Christiana Potato Growers Association and 50% with other groups. Another professional

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from Partnership for Productivity has been assisting the PMO at Bushy Park under an AID financed OPG. In addition Peace Corps/Jamaica has been approached, and they demonstrated clear interest in having selected volunteers play similar roles with other PMOs. Other organizations of this type could potentially provide inputs such as these.

An implementation schedule, which includes the technical assistance activities, among others, is presented in the following section.

Non U.S. Grantees and Non U.S. Subgrantees
NONPROFIT ORGANIZATIONS—OTHER THAN EDUCATIONAL INSTITUTIONS
INDEX OF
STANDARD PROVISIONS

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Allowable Costs and Contributions
(Nonprofit Organizations—Other Than Educational Institutions) 2. Accounting, Audit and Records 3. Refunds 4. Revision of Financial Plans 5. Termination 6. Disputes 7. Nondiscrimination in Federally Assisted Programs 8A. Negotiated Overhead Rates—Predetermined 8B. Negotiated Overhead Rates—Nonprofit Organizations Other Than Educational Institutions 9A. Payment—Periodic Advance 9B. Payment—Reimbursement 10. Travel and Transportation 11. Ocean Shipment of Goods 12A. Procurement of Goods and Services Under \$250,000 12B. Procurement of Goods and Services Over \$250,000 13. Local Cost Financing With U.S. Dollars 14. Government Furnished Excess Personal Property | <ol style="list-style-type: none"> 15A. Title To and Use of Property (Grantee Title) 15B. Title To and Care of Property (U.S. Government Title) 15C. Title To and Care of Property (Cooperating Country Title) 16. Voluntary Participation 17. Prohibition on Abortion-Related Activities 18. Voluntary Participation Requirements for Sterilization Programs 19. Publications 20. Patents 21. Regulations Governing Employees Outside the United States 22. Subordinate Agreements 23. Participant Training 24. Health and Accident Coverage for AID Participant Trainees 25. U.S. Officials Not to Benefit 26. Covenant Against Contingent Fees 27. Nonliability 28. Amendment 29. The Grant 30. Notices |
|---|--|

—SEE FOOTNOTES ON PAGE 20—

If the institution is not on a predetermined basis, omit 8A; otherwise use both provisions.

Select only 1 payment provision from Group 9.

Select only 1 procurement provision from Group 12.

Select only 1 title provision from Group 15, if title to all property is vested in one entity; however, if title is to be split by categories among two or more entities, select the appropriate provisions from Group 15 and identify the categories and entities in the Schedule of the Grant.

1. ALLOWABLE COSTS AND CONTRIBUTIONS (NONPROFIT ORGANIZATIONS—OTHER THAN EDUCATIONAL INSTITUTIONS)

(This provision is applicable to nonprofit organizations other than educational institutions.)

(a) The Grantee shall be reimbursed for costs incurred in carrying out the purposes of this grant which are determined by the Grant Officer to be reasonable, allocable, and allowable in accordance with the terms of (1) this grant, (2) any negotiated advance understanding on particular cost items, and (3) cost principles contained in OMB Circular A-122 en-

titled "Cost Principles for Nonprofit Organizations" in effect on the date of this grant (hereinafter referred to as "applicable cost principles").

(b) If Grantee contributions in the form of cost sharing/matching are required under this grant, the allowability of costs applied to the grant for such contributions shall be determined by the Grant Officer in accordance with the terms of paragraph 1K, "Cost Sharing and Matching," of Handbook 13 in effect on the date of this grant.

(c) The requirements set forth in this provision are only applicable to costs incurred with funds provided by AID under this grant. Except for paragraph (b) above, the requirements set forth in this provision are

not applicable to costs incurred by the Grantee from non-Federal funds. Such costs will be considered allowable to the extent they conform to the requirements of paragraph (b) above and are incurred for the purposes of the grant.

2. ACCOUNTING, AUDIT, AND RECORDS

(a) With respect to accounting, records and audit, the Grantee shall comply with the requirements set forth in paragraphs 11, 1J, and 1L, of Handbook 13.

(b) The AID Inspector General and the Comptroller General of the United States or their duly authorized representatives (see paragraph 116 of Chapter 1 of Handbook 13) reserve the right to conduct an audit of the Grantee's books and records to determine whether the Grantee has expended AID's funds in accordance with the terms and conditions of this grant. The Grantee agrees to make available any further information requested by AID with respect to any questions arising as a result of the audit.

3. REFUNDS

(a) If use of the AID funds provided hereunder results in accrual of interest to the Grantee or to any other person to whom Grantee makes such funds available in carrying out the purposes of the grant, the Grantee shall refund to AID an amount equivalent to the amount of interest accrued.

(b) Funds obligated by AID hereunder, but not disbursed to the Grantee at the time the grant expires or is terminated, shall revert to AID, except for such funds encumbered by the Grantee by a legally binding transaction applicable to this grant. Any funds disbursed to but not expended by the Grantee at the time of expiration or termination of the Grant shall be refunded to AID.

(c) If, at any time during the life of the grant, or as a result of final audit, it is determined by AID that funds it provided under this Grant have been expended for purposes not in accordance with the terms of this grant, the Grantee shall refund such amount to AID.

4. REVISION OF FINANCIAL PLANS

(a) The Financial Plan, i.e., grant budget, is the financial expression of the project or program as approved during the application and/or award process.

(b) The Grantee shall immediately request approval from the Grant Officer when there is reason to believe that within the next 30 calendar days a revision of the approved Financial Plan will be necessary for any of the following reasons:

1. To change the scope or the objectives of the project or program.

2. Additional funding is needed.

3. The Grantee expects the amount of AID authorized funds will exceed its needs by more than \$5,000 or five percent of the AID award, whichever is greater.

4. The Grantee plans to transfer amounts budgeted for indirect costs to absorb increases in direct costs or vice versa.

5. The Grantee plans to transfer funds budgeted for training allowances (direct payments to trainees) to other categories of expense.

6. The Grantee plans to incur an expenditure which would require approval under the terms of this grant, and was not included in the approved Financial Plan.

7. The Grantee intends to subcontract or subgrant any of the substantive programmatic work under this grant, and such subcontracts or subgrants were not included in the approved Financial Plan.

(c) When requesting approval for budget revisions, the Grantee shall use the budget forms that were used in the application unless a letter request will suffice.

(d) Within 30 calendar days from the date of the receipt of the request for budget revisions, the Grant Officer shall review the request and notify the Grantee whether the budget revisions have been approved. If the revisions are still under consideration at the end of 30 calendar days, the Grant Officer shall inform the Grantee in writing of the date when the Grantee may expect the decision. The Grant Officer shall obtain the Project Officer's clearance on all such requests prior to communication with the Grantee.

(e) If the requested budget revision requires the obligation of additional funding, and, if after notification pursuant to this Standard Provision, AID determines not to provide additional funds, the AID Grant Officer will, upon written request of the Grantee, terminate this grant pursuant to the Standard Provision of this grant, entitled "Termination."

(f) Except as required by other provisions of this grant specifically citing and stated to be an exception from this provision, the Government shall not be obligated to reimburse the Grantee for costs incurred in excess of the total amount obligated under the grant, and the Grantee shall not be obligated to continue performance under the grant (including actions under the "Termination" provision) or otherwise to incur costs in excess of the amount obligated under the grant, unless and until the Grant Officer has notified the Grantee in writing that such obligated amount has been increased and has specified in such

notice an increased amount constituting the total amount then obligated under the grant.

5. TERMINATION

(a) *For Cause.* This grant may be terminated for cause at any time, in whole or in part, by the Grant Officer upon written notice to the Grantee, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

(b) *For Convenience.* This grant may be terminated for convenience at any time by either party, in whole or in part, if both parties agree that the continuation of the grant would not produce beneficial results commensurate with the further expenditure of funds. Both parties shall agree upon termination conditions, including the effective date and, in the case of partial terminations, the portion to be terminated. The agreement to terminate shall be set forth in a letter from the Grant Officer to the Grantee.

(c) *Termination Procedures.* Upon receipt of and in accordance with a termination notice as specified in either paragraph (a) or (b) above, the Grantee shall forthwith take immediate action to minimize all expenditures and obligations financed by this grant, and shall cancel such unliquidated obligations whenever possible. Except as provided below, no further reimbursement shall be made after the effective date of termination, and the Grantee shall within 30 calendar days after the effective date of such termination repay to the Government all unexpended portions of funds theretofore paid by the Government to the Grantee which are not otherwise obligated by a legally binding transaction applicable to this grant. Should the funds paid by the Government to the Grantee prior to effective date of the termination of this grant, be insufficient to cover the Grantee's obligations pursuant to the aforementioned legally binding transaction, the Grantee may submit to the Government within 90 calendar days after the effective date of such termination a written claim covering such obligations, and, subject to the limitations contained in this grant, the Grant Officer shall determine the amount or amounts to be paid by the Government to the Grantee under such claim in accordance with the applicable Federal cost principles.

6. DISPUTES

(a) Any dispute arising under this grant, which is not disposed of by agreement, shall be decided by the AID Grant Officer who shall reduce his/her decision to writing and mail or otherwise furnish a copy thereof to the Grantee.

(b) Decisions of the AID Grant Officer shall be final and conclusive unless, within 30 days of receipt

of the decision of the Grant Officer, the Grantee appeals the decision to the Administrator, AID. Any appeal made under this provision shall be in writing and addressed to the Administrator, Agency for International Development, Washington, D.C. 20523; a copy of any such appeal shall be concurrently furnished to the Grant Officer.

(c) In connection with any appeal proceeding under this provision, the Grantee shall be afforded an opportunity to be heard and to offer evidence in support of its appeal.

(d) A decision under this provision by the Administrator or his duly authorized representative shall be final and conclusive, unless determined by a court of competent jurisdiction to be fraudulent, capricious, arbitrary, an abuse of discretion, or based on clearly erroneous findings of facts or conclusions of law.

7. NONDISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS

(This provision is applicable to non-U.S. Grantees and non-U.S. Subgrantees when any portion of the program being supported is to be undertaken in the United States.)

(a) No person in the United States shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving financial assistance from AID in accordance with:

(1) Title VI of the Civil Rights Act of 1964 (Pub. L. 38-352, 42 U.S.C. 2000-d) which prohibits discrimination on the basis of race, color or national origin, in programs and activities receiving Federal financial assistance.

(2) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) which prohibits discrimination on the basis of handicap in programs and activities receiving Federal financial assistance.

(3) The Age Discrimination Act of 1975, as amended (Pub. L. 95-478), which prohibits discrimination based on age in the delivery of services and benefits supported with Federal funds.

(4) Title IX of the Education Amendments of 1972 (20 U.S.C. 1681, *et seq.*) which prohibits discrimination on the basis of sex in education programs and activities receiving Federal financial assistance (whether or not the programs or activities are offered or sponsored by an educational institution); and

(b) In accordance with its written assurance, the Grantee agrees to comply with AID regulations implementing the above nondiscrimination laws, set forth in Chapter II of Title 22 of the Code of Federal Regulations.

8A. NEGOTIATED OVERHEAD RATES—PREDETERMINED

(This provision is applicable to educational or other nonprofit organizations or institutions that are on a predetermined overhead rate basis.)

(a) Notwithstanding the provision of this grant entitled "Allowable Costs and Contributions," the allowable indirect costs under this grant shall be obtained by applying predetermined overhead rates to the base(s) agreed upon by the parties, as specified in the Schedule of this grant.

(b) The Grantee, except for educational institutions covered by OMB Circular A-88, as soon as possible but not later than 3 months after the close of each of its accounting periods during the term of this grant, shall submit to the AID Grant Officer with copies to the cognizant audit activity, the AID Inspector General, and the AID Overhead and Special Costs Branch, Services Operations Division, Office of Contract Management, AID/Washington, D.C. 20523, a proposed predetermined overhead rate or rates based on the Grantee's actual cost experience during that fiscal year, together with supporting cost data. Negotiation of predetermined overhead rates by the Grantee and the AID Grant Officer shall be undertaken as promptly as practicable after receipt of the Grantee's proposal.

(c) Allowability of costs and acceptability of cost allocation methods shall be determined in accordance with the provisions of the applicable cost principles in effect on the date of this grant.

(d) Predetermined rates appropriate for the work under this grant in effect on the effective date of this grant shall be incorporated into the grant. Rates for subsequent periods shall be negotiated and the results set forth in a written overhead rate agreement executed by both parties. Such agreement shall be automatically incorporated into this grant upon execution and shall specify (1) the agreed predetermined overhead rates, (2) the base(s) to which the rates apply, (3) the fiscal year unless the parties agree to a different period for which the rates apply, and (4) the specific items treated as direct costs or any changes in the items previously agreed to be direct costs. The overhead rate agreement shall not change any monetary ceiling, grant obligation, or specific cost allowance or disallowance provided for in this grant.

(e) Pending establishment of predetermined overhead rates for any fiscal year or different period agreed to by the parties, the Grantee shall be reimbursed either at the rates fixed for the previous fiscal year or other period or at billing rates acceptable to the AID Grant Officer subject to appropriate adjust-

ment when the final rates for the fiscal year or other period are established.

(f) Any failure by the parties to agree on any predetermined overhead rate or rates under this provision shall not be considered a dispute within the meaning of the "Disputes" provision of this grant. If for any fiscal year or other period specified in the grant the parties fail to agree to a predetermined overhead rate or rates, it is agreed that the allowable overhead costs under this grant shall be obtained by applying negotiated final overhead rates in accordance with the terms of the applicable "Negotiated Overhead Rates" provision of this grant.

8B. NEGOTIATED OVERHEAD RATES—NONPROFIT ORGANIZATIONS—OTHER THAN EDUCATIONAL INSTITUTIONS

(This provision is applicable to nonprofit organizations which do not have predetermined rates; however, it shall also be included when the NEGOTIATED OVERHEAD RATES—PREDETERMINED provision is used, under the conditions set forth therein.)

(a) Pursuant to this provision, an overhead rate shall be established for each of the Grantee's accounting periods during the term of this Grant. Pending establishment of a final rate, the parties have agreed that provisional payments on account of allowable indirect costs shall be at the rate(s), on the base(s), and for the period shown in the Schedule of this grant.

(b) The Grantee, as soon as possible but not later than 90 days after the close of each of its accounting periods during the term of this grant, shall submit to the Grant Officer with copies to the Overhead and Special Cost Branch, Services Operations Division, Office of Contract Management, AID/Washington, D.C. 20523, and to the Office of the Inspector General, AID/Washington, D.C. 20523, a proposed final rate or rates for the period, together with supporting cost data. Negotiation of final overhead rates by the Grantee and the Grant Officer shall be undertaken as promptly as practicable after receipt of the Grantee's proposal.

(c) Allowability of costs and acceptability of cost allocation methods shall be determined in accordance with OMB Circular A-122 (Cost Principles for Non-profit Organizations) as in effect on the date of this grant.

(d) The results of each negotiation shall be set forth in a written overhead rate agreement executed by both parties. Such agreement shall specify (1) the agreed final rates, (2) the bases to which the rates apply, and (3) the periods for which the rates apply.

The overhead rate agreement shall not change any monetary ceiling, grant obligation, or specific cost allowance or disallowance provided for in this grant.

(e) Pending establishment of final overhead rates for any period, the Grantee shall be reimbursed either at negotiated provisional rates as provided above or at billing rates acceptable to the Grant Officer, subject to appropriate adjustment when the final rates for that period are established. To prevent substantial over or under payment, the provisional or billing rates may, at the request of either party, be revised by mutual agreement, either retroactively or prospectively. Any such revision of negotiated provisional rates provided in this provision shall be set forth in a modification to this grant.

(f) Any failure by the parties to agree on any final rate or rates under this provision shall be considered a dispute within the meaning of the Standard Provision of the Grant, entitled "Disputes" and shall be disposed of in accordance therewith.

9A. PAYMENT—PERIODIC ADVANCE

(This provision is applicable when (1) the requirements of paragraph 1.0.6. of Chapter 1 of Handbook 13 have been met, and (2) the Grantee has the ability to maintain procedures that will minimize the time elapsing between the transfer of funds and the disbursement thereof, and (3) the Grantee's financial management system meets the standards for fund control and accountability required under the standard provision of this agreement entitled "Accounting, Audit and Records.")

a. Each month (or quarter, if the Grantee is on a quarterly basis) after the initial cash advance, the Grantee shall submit to the AID Controller voucher form SF 1034 (original) and SF 1034-A (three copies), "Public Voucher for Purchases and Services Other Than Personal."

b. Each voucher shall be identified by the appropriate grant number and shall be accompanied by an original and three copies of a report in the following format:

**FEDERAL CASH ADVANCE STATUS REPORT
(Report Control No. W-245)**

A. Period covered by this report:

FROM (Month, day, year) _____

TO (Month, day, year) _____

Period covered by the next report

FROM (Month, day, year) _____

TO (Month, day, year) _____

B. Cash Advance Use and Needs

1. Cash advance on hand at the beginning of this reporting period . . . \$ _____

2. U.S. Treasury check advance(s) received during this reporting period . . \$ _____

3. Interest earned on cash advance during this reporting period \$ _____

4. GROSS cash advance available during this reporting period (Lines 1, 2, & 3) \$ _____

5. LESS, interest remitted to AID during this reporting period \$ _____

6. NET cash advance available during this reporting period (Line 4 minus Line 5) \$ _____

7. Total disbursements during this reporting period, including subadvances (see footnote 1) \$ _____

8. Amount of cash advances available at the end of this reporting period (Line 6 minus Line 7) \$ _____

9. Projected disbursements, including subadvances, for the next reporting period (see footnote 2) \$ _____

10. Additional cash advance requested for the next reporting period (Line 9 minus Line 8) \$ _____

11. Total interest earned on cash advance from the start of the Grant to the end of this reporting period, but not remitted to AID \$ _____

12. Total cash advances to subgrantees, if any, as of the end of this reporting period \$ _____

FOOTNOTES:

1. The Grantee shall submit a cumulative detailed report of disbursements by BUDGET line item quarterly; the monthly cash advance status report does not require a detailed report of disbursements.

2. The Grantee shall attach to this summary a detailed projection by BUDGET line item, of its anticipated needs for the next reporting period.

C. Certification

The undersigned hereby certifies: (1) that the report in paragraph B.9 above represents the best estimates of funds needed for the disbursements to be incurred over the period described, (2) that appropriate refund or credit to the Grant will be made in the event of disallowance in accordance with the terms of the Grant or Agreement, (3) that appropriate refund or credit to the Grant will be made in the event funds are not expended, and that any interest accrued on the funds made available herein will be refunded to AID.

DATE _____ BY _____
TITLE _____

c. AID funds shall not be commingled with other Grantee owned or controlled funds. The Grantee shall deposit all AID cash advances in a separate bank account and shall make all disbursements for goods and services from this account.

9B. PAYMENT—REIMBURSEMENT

(This provision is applicable to grants for construction, or to grants which do not provide for a periodic advance.)

(a) Each month the Grantee shall submit to the AID Controller an original and 3 copies of SF 1034, "Public Voucher for Purchases and Services Other Than Personal"; each voucher shall be identified by the grant number and shall state the total amount of costs incurred for which reimbursement is being requested.

(b) In addition to the SF 1034, each nonconstruction voucher shall be supported by an original and 2 copies of SF 270, "Request for Advance or Reimbursement," and each construction voucher shall be supported by an original and 2 copies of SF 271, "Outlay Report and Request for Reimbursement for Construction Programs."

(c) Each quarterly voucher (or each third monthly voucher) shall also be supported by an original and 2 copies of a SF 269, "Financial Status Report." The SF 269 shall be submitted within 30 days after the end of the reporting quarter and may be submitted separately from the SF 1034(s).

10. TRAVEL AND TRANSPORTATION

(This provision is applicable when domestic or international air travel or shipment costs are reimbursable under the grant.)

(a) The Grant Officer hereby approves international travel to be reimbursed under this grant provided that the Grantee shall obtain written concurrence from the cognizant Project Officer in AID prior to sending any individual outside the United States to perform work under the grant. For this purpose the Grantee shall advise the Project Officer at least 30 days in advance of any travel to be undertaken outside the United States. After concurrence is received the Grantee shall provide the cognizant Mission or U.S. Embassy advance notification (with a copy to the Project Officer) of the arrival date and flight identification of grant-financed travelers.

(b) Travel to certain countries shall, at AID's option, be funded from U.S.-owned local currency. When AID intends to exercise this option, it will so notify the Grantee after receipt of advice of intent to travel, required above. AID will issue a Government Transportation Request (GTR) which the Grantee

may exchange for tickets, or AID will issue the tickets directly. Use of such U.S.-owned currencies will constitute a dollar charge to this grant.

(c) All international air travel and all international air shipments funded under this grant shall be made on United States flag air carriers (hereinafter referred to as "certificated air carriers"), to the extent service by such carriers is available in accordance with paragraphs (d) and (e) below:

The terms used in this provision have the following meanings:

(1) "International air transportation" means transportation of persons (and their personal effects) or property by air between a place in the United States and a place outside thereof or between two places both of which are outside the United States.

(2) "U.S. flag air carriers" means one of a class of air carriers holding a certificate of public convenience and necessity issued by the Civil Aeronautics Board, approved by the President, authorizing operations between the United States and/or its territories and one or more foreign countries.

(3) The term "United States" includes the fifty states, Commonwealth of Puerto Rico, possessions of the United States, and the District of Columbia.

(d) Passenger or freight service by a certificated air carrier is considered "available" even though:

(1) Service by noncertificated air carrier can be paid for in excess foreign currency, or

(2) Service by a noncertificated air carrier is preferred by the agency or traveler needing air transportation, or

(3) Service by a noncertificated air carrier is more convenient for the agency or traveler needing air transportation.

(e) Passenger service by a certificated air carrier will be considered to be "unavailable":

(1) When certificated air carriers offer only first class service, and less than first class service is available from noncertificated air carriers, or

(2) When the traveller, while en route, has to wait 6 hours or more to transfer to a certificated air carrier to proceed to the intended destination, or

(3) When any flight by a certificated air carrier is interrupted by a stop anticipated to be 6 hours or more for refueling, reloading, repairs, etc., and no other flight by a certificated air carrier is available during the 6 hour period, or

(4) When by itself or in combination with other certificated or noncertificated air carriers (if certificated air carriers are "unavailable") it takes 12 or more hours longer from the original airport to the destination airport to accomplish the agency's mission than would service by a noncertificated air carrier or carriers.

(5) When the elapsed travel time on a scheduled flight from origin to destination airports by noncertificated air carrier(s) is 3 hours or less, and service by certificated air carrier(s) would involve twice such scheduled travel time.

(f) Freight service by a certificated air carrier will be considered to be unavailable when:

(1) No certificated air carrier provides scheduled air freight service from the airport serving the shipment's point of origin, and a noncertificated air carrier does.

(2) The certificated air carrier(s) serving the shipment's point of origin decline to issue a through airway bill for transportation to the shipment's final destination airport.

(3) Use of a certificated air carrier would result in delivery to final destination at least 7 days later than delivery by means of a noncertificated air carrier.

(4) The total weight of the consignment exceeds the maximum weight per shipment which a certificated air carrier will accept and transport as a single shipment, and a noncertificated air carrier will accept and transport the entire consignment as a single shipment.

(5) The dimensions (length, width, or height) of one or more of the items of a consignment exceed the limitation of the certificated aircraft's cargo door openings, but do not exceed the acceptable dimensions for shipment on an available noncertificated air carrier.

(g) Where U.S. Government funds are used to reimburse the Grantee's use of other than U.S. flag carriers for international transportation, the Grantee will include a certification on vouchers involving such transportation which is essentially as follows:

CERTIFICATION OF UNAVAILABILITY OF U.S. FLAG AIR CARRIERS

I hereby certify that the transportation service for personnel (and their personal effects) or property by certificated air carrier was unavailable for the following reason(s): (State appropriate reason(s) as set forth in (e) or (f) above; see 41 CFR 1-1.323-3 for further guidance.)

(h) *Travel Costs and Overseas Maintenance Allowances*

(1) *Travel Within the United States*

(i) As used herein, the term "travel within the United States" includes the 50 states, District of Columbia, Commonwealth of Puerto Rico, Virgin Islands, and all the U.S. Territories except the Trust Territories of the Pacific Islands.

(ii) Subsistence allowances paid to Grantee employees traveling within the United States will be reimbursed in accordance with the established policies and practices of the Grantee which are uniformly applied to both federally financed and other activities of the Grantee.

(2) *International Travel*

(i) As used herein, the term "international travel" includes travel to the U.S. Trust Territories of the Pacific Islands.

(ii) The Grantee will be reimbursed for international travel, subsistence, and post differentials and other allowances paid to employees in an international travel status, or assigned overseas, in accordance with the Grantee's established policies and practices which are uniformly applied to federally financed and other activities of the Grantee, but only to the extent that such reimbursement does not exceed the applicable amounts or rates established in the Standardized Regulations (Government Civilians, Foreign Areas), published by the U.S. Department of State, as from time to time amended.

11. OCEAN SHIPMENT OF GOODS

(This provision is applicable when goods purchased with funds provided under this grant are transported to the Cooperating Country on ocean vessels.)

(a) At least 50% of the gross tonnage of all goods purchased under this grant and transported to the Cooperating Country on ocean vessels shall be transported on privately owned U.S. flag commercial vessels, to the extent such vessels are available at fair and reasonable rates for such vessels; and

(b) At least 50% of the gross freight revenue generated by shipments of goods purchased under this grant and transported to the Cooperating Country on dry cargo liners shall be paid to or for the benefit of privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates for such vessels.

(c) When U.S. flag vessels are not available, or their use would result in a significant delay, the Grantee may request a certificate of nonavailability from the AID Transportation Support Division, Office of Commodity Management, Washington, D.C. 20523, giving the basis for the request. Such a determination of nonavailability will relieve the Grantee of the requirement to use U.S. flag vessels for the tonnage of goods included in the determination.

(d) Vouchers submitted for reimbursement which include ocean shipment costs shall contain a certification essentially as follows: "I hereby certify that a copy of each ocean bill of lading concerned has been

submitted to the Maritime Administration Cargo Preference Control Center, Commerce Building, Washington, D.C. 20235, and that such bills of lading state all of the carrier's charges including the basis for calculation such as weight or cubic measurement."

(e) Shipments by voluntary nonprofit relief agencies (i.e., PVO's) shall be governed by this Standard Provision and by AID Regulation 2, "Overseas Shipments of Supplies by Voluntary Nonprofit Relief Agencies" (22 CFR 202).

12A. PROCUREMENT OF GOODS AND SERVICES UNDER \$250,000

(This provision is applicable when the total procurement element (i.e., the sum of all purchase orders and contracts for goods and services) of this grant does not exceed \$250,000.)

(a) *Ineligible Goods and Services*

Under no circumstances shall the Grantee procure any of the following under this grant:

- (1) military equipment,
- (2) surveillance equipment,
- (3) commodities and services for support of police or other law enforcement activities,
- (4) abortion equipment and services,
- (5) luxury goods and gambling equipment, or
- (6) weather modification equipment.

If AID determines that the Grantee has procured any of the ineligible goods and services specified above under this grant, and has received reimbursement for such purposes, the Grantee agrees to refund to AID the entire amount of the reimbursement.

(b) *Restricted Goods*

The Grantee shall not procure any of the following goods and services without the prior written authorization of the Grant Officer:

- (1) agricultural commodities,
- (2) motor vehicles,
- (3) pharmaceuticals,
- (4) pesticides,
- (5) rubber compounding chemicals and plasticizers,
- (6) used equipment,
- (7) U.S. Government-owned excess property, or
- (8) fertilizer.

If AID determines that the Grantee has procured any of the restricted goods specified above under this grant, without the prior written authorization of the Grant Officer, and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the reimbursement.

(c) *Geographic Source and Order of Preference*

All goods (e.g., equipment, materials, and sup-

plies) and services, the costs of which are to be reimbursed under this grant, and which will be financed with United States dollars, shall be purchased in and shipped from only "Special Free World" countries (i.e., AID Geographic Code 935) in accordance with the following order of preference:

- (1) the United States (AID Geographic Code 000),
- (2) "Selected Free World" countries (AID Geographic Code 941),
- (3) the cooperating country,
- (4) "Special Free World" countries (AID Geographic Code 935).

(d) *Application of Order of Preference*

When the Grantee procures goods and services from other than U.S. sources, under the order of preference in paragraph (c) above, it shall document its files to justify each such instance. The documentation shall set forth the circumstances surrounding the procurement and shall be based on one or more of the following reasons, which will be set forth in the Grantee's documentation:

- (1) the procurement was of an emergency nature, which would not allow for the delay attendant to soliciting U.S. sources,
- (2) the price differential for procurement from U.S. sources exceeded by 50% or more the delivered price from the non-U.S. source,
- (3) impelling local political considerations precluded consideration of U.S. sources,
- (4) the goods or services were not available from U.S. sources, or
- (5) procurement of locally available goods or services, as opposed to procurement of U.S. goods and services, would best promote the objectives of the Foreign Assistance program under the grant.

(e) *The Grantee's Procurement System*

(1) The Grantee may use its own procurement policies and procedures provided they conform to the geographic source and order of preference requirements of this provision and paragraphs 1U.3.a., b., and c. of Chapter 1, AID Handbook 13.

(2) If the Grantee's procurement policies and procedures have been reviewed against the procurement requirements of paragraphs 1U.3.a., b., and c. and have been approved by AID or another Federal department or agency, the Grantee shall furnish the Grant Officer a copy of such approval; otherwise the Grantee's procurement policies and procedures shall conform to those specified in paragraphs 1U.3.a., b., and c. of Chapter 1, AID Handbook 13.

(f) *Small Business*

To permit AID, in accordance with the small business provisions of the Foreign Assistance Act of

1961, as amended, to give United States small business firms an opportunity to participate in supplying commodities and services procured under this grant, the Grantee shall to maximum extent possible, provide the following information to the Office of Small and Disadvantaged Business Utilization, AID/Washington, D.C. 20523, at least 45 days prior (except where a shorter time is requested of, and granted by, the Office of Small and Disadvantaged Business Utilization) to placing any order or contract in excess of \$25,000:

(1) Brief general description and quantity of goods or services;

(2) Closing date for receiving quotations, proposals, or bids; and

(3) Address where invitations or specifications can be obtained.

(g) Ineligible Suppliers

Funds provided under this grant shall not be used to procure any commodity or commodity-related services furnished by any supplier whose name appears on the List of Ineligible Suppliers under AID Regulation 8, "Suppliers of Commodities and Commodity-Related Services Ineligible for AID Financing" (22 CFR 208). The Grantee agrees to review said list prior to undertaking any procurement the cost of which is to be reimbursable under this grant. AID will provide the Grantee with this list.

(h) Ocean and Air Transportation

For requirements relating to transportation by ocean vessel of commodities purchased under this grant, see the Standard Provision entitled "Ocean Shipment of Goods." For requirements relating to transportation of commodities by air, see the Standard Provision entitled "Travel and Transportation."

12B. PROCUREMENT OF GOODS AND SERVICES OVER \$250,000

(This provision is applicable when the total procurement element, i.e., the sum of all purchase orders and contracts for goods and services, of this grant will be greater than \$250,000 over the life of the grant.)

(a) *General.* Except as may be specifically approved or directed in advance by the Grant Officer, all goods (e.g., equipment, vehicles, materials, and supplies) and services which will be financed under this grant with United States dollars shall be procured in and shipped from the United States (Code 000) and from any other countries within the authorized geographic code specified in the Schedule of this grant.

(b) *Procurement of goods.* In order to be eligible under this grant, goods purchased under this grant must be of eligible source and origin, and must satisfy AID's componentry requirements set forth below: In addition, the supplier of commodities must meet the nationality requirements specified in paragraph (d)(1) of this provision.

(1) *Source.* Source means the country from which a commodity is shipped to the Cooperating Country or the Cooperating Country itself if the commodity is located therein at the time of purchase. However, where a commodity is shipped from a free port or bonded warehouse in the form in which received therein, source means the country from which the commodity was shipped to the free port or bonded warehouse.

(2) *Origin.* The origin of a commodity is the country or area in which a commodity is mined, grown, or produced. A commodity is produced when through manufacturing, processing, or substantial and major assembling of components, a commercially recognized new commodity results that is substantially different in basic characteristics, or in purpose or utility, from its components.

(3) *Componentry.* Components are the goods that go directly into the production of a produced commodity. AID componentry rules are as follows:

(i) If a commodity produced in an eligible source country contains no imported component, it is eligible for AID financing.

(ii) Unless otherwise specified by the Grant Officer, components from the United States, the Cooperating Country, and any other countries included in Geographic Code 941 may always be utilized in unlimited amounts regardless of the geographic code authorized.

(iii) Unless procurement is authorized from countries included in Code 899, components from free world countries not included in Code 941 are limited according to the following rules:

(A) They are limited only if they are acquired by the producer in the form in which they were imported.

(B) The total cost to the producer of such components (delivered at the point of production) may not exceed 50 percent of the lowest price (excluding the cost of ocean transportation and marine insurance) at which the supplier makes the commodity available for export sale (whether or not financed by AID).

(C) AID may prescribe percentages other than 50% for specific commodities.

(iv) Any component from a non-free world country makes the commodity ineligible for AID financing.

(4) *Supplier Nationality.* (See paragraph (d) of this provision.)

(c) *Eligibility of commodity-related services*

(1) *Incidental services.* Nationality rules are applied to the contractor supplying equipment under this grant and not separately to any contractor that may supply commodity-related incidental services. Such services, defined as the installation or erection of AID-financed equipment, or the training of personnel in the maintenance, operation, and use of such equipment, are eligible if specified in the equipment contract and performed by citizens of countries included in AID Geographic Code 935, or non-United States citizens lawfully admitted for permanent residence in the United States.

(2) *Ocean and air transportation*

(i) Except as otherwise approved in writing by the Grant Officer, AID will finance only those ocean transportation costs:

(A) Incurred on vessels under U.S. flag registry, when Geographic Code 000 is authorized for procurement of goods or services;

(B) Incurred on vessels under U.S., Cooperating Country, or other countries included in Geographic Code 941 flag registry, when Geographic Code 941 is authorized for procurement of goods or services; or

(C) Incurred on vessels under flag registry of any free world country, if the costs are part of the total cost on a through bill of lading paid to a carrier for initial carriage on a vessel which is authorized in accordance with paragraphs (c)(2)(i)(A) and (B), above.

(ii) Any ocean or air charter, covering full or part cargo, for the transportation of goods purchased under this grant must be approved by the AID Transportation Support Division, Office of Commodity Management, Washington, D.C. 20523, prior to shipment.

(iii) When use of non-U.S. flag vessels has been authorized, the following requirements still apply:

(A) At least 50% of the gross tonnage of all goods purchased under this grant and transported to the Cooperating Country on ocean vessels, shall be transported on privately owned U.S. flag commercial vessels, to the extent such vessels are available at fair and reasonable rates for such vessels; and

(B) At least 50% of the gross freight revenue generated by shipments of goods purchased under this grant and transported to the Cooperating Country on dry cargo liners shall be paid to or for the benefit of privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates for such vessels.

(iv) When U.S. flag vessels are not available, or their use would result in a significant delay, the Grantee may request a certificate of nonavailability from the AID Transportation Support Division, Office of Commodity Management, Washington, D.C. 20523, giving the basis for the request. Such a determination of nonavailability will relieve the Grantee of the requirement to use U.S. flag vessels for the tonnage of goods included in the determination.

(v) Vouchers submitted for reimbursement which include ocean shipment costs shall contain a certification essentially as follows: "I hereby certify that a copy of each ocean bill of lading concerned has been submitted to the Maritime Administration, Cargo Preference Control Center, Commerce Building, Washington, D.C. 20235, and that such bills of lading state all of the carrier's charges including the basis for calculation such as weight or cubic measurement."

(vi) For use of U.S. flag air carriers, see the Standard Provision, entitled "Travel and Transportation."

(3) *Marine insurance.* The eligibility of marine insurance is determined by the country in which it is "placed." Insurance is "placed" in a country if payment of the insurance premium is made to, and the insurance policy is issued by, an insurance company located in that country. Eligible countries for placement are governed by the authorized geographic code, except that if Code 941 is authorized, the Cooperating Country is also eligible. Section 604(d) of the Foreign Assistance Act requires that if a recipient country discriminates by statute, decree, rule, or practice with respect to AID-financed procurement against any marine insurance company authorized to do business in any State of the United States, then any AID-financed commodity shipped to that country shall be insured against marine risk and the insurance shall be placed in the United States with a company or companies authorized to do a marine insurance business in any State of the United States.

(d) *Nationality.* Except as specified in paragraph (c) above, in order to be eligible for AID financing under this grant, contractors, subcontractors, or suppliers must fit one of the following categories:

(1) *Suppliers of commodities.* A supplier providing goods must fit one of the following categories for the costs of such goods to be eligible for AID financing under this grant:

(i) An individual who is a citizen or legal resident of a country or area included in the authorized geographic code; or

(ii) A corporation or partnership organized under the laws of a country or area included in the authorized geographic code; or

(iii) A controlled foreign corporation; i.e., any foreign corporation of which more than 50 percent of the total combined voting power of all classes of stock is owned by the United States shareholders within the meaning of Section 957 et seq., of the Internal Revenue Code, 26 U.S.C. 957; or

(iv) A joint venture or unincorporated association consisting entirely of individuals, corporations, or partnerships which fit any of the foregoing categories.

(2) *Suppliers of services.* A contractor or subcontractor thereunder providing services under an AID-financed grant must fit one of the following categories for the costs of such contracts or subcontracts to be eligible for AID financing under this grant. (NOTE: the term contractor includes personal services contractors):

(i) An individual who is a citizen of and whose principal place of business is in a country included in the authorized geographic code or a non-U.S. citizen lawfully admitted for permanent residence in the United States whose principal place of business is in the United States; or

(ii) A corporation or partnership that is incorporated or legally organized under the laws of a country or area included in the authorized geographic code, has its principal place of business in a country or area included in the authorized geographic code, and meets the criteria set forth in either subparagraph (A) or (B), below:

(A) The corporation or partnership is more than 50% beneficially owned by individuals who are citizens of a country or area included in the authorized geographic code. In the case of corporations, "more than 50% beneficially owned" means that more than 50% of each class of stock is owned by such individuals; in the case of partnerships, "more than 50% beneficially owned" means that more than 50% of each category of partnership interest (e.g., general, limited) is owned by such individuals. (With respect to stock or interests held by companies, funds or institutions, the ultimate beneficial ownership by individuals is controlling.)

(B) The corporation or partnership:

(1) has been incorporated or legally organized in the United States for more than three years prior to the issuance date of the invitation for bids or request for proposals, and

(2) has performed within the United States administrative and technical, professional or construction services under a contract or contracts for services and derived revenue therefrom in each of the three years prior to the date described in the preceding paragraph, and

(3) employs United States citizens in more than half of its permanent full-time positions in the United States, and

(4) has the existing capability in the United States to perform the contract; or

(iii) A joint venture or unincorporated association consisting entirely of individuals, corporations, or partnerships which fit categories (d)(2)(i) and (d)(2)(ii) above. However, joint ventures with firms wholly or partially owned by the host government are ineligible.

(iv) A duly authorized officer of the firm shall certify that the participating firm meets either the requirements of subparagraphs (d)(ii)(A) or (d)(ii)(B) above. In the case of corporations, the certifying officer shall be the corporate secretary. With respect to the requirements of subparagraph (d)(ii)(A) of this provision, the certifying officer may presume citizenship on the basis of the stockholder's record address, provided the certifying officer certifies, regarding any stockholder (including any corporate funds or institutional stockholder) whose holdings are material to the corporation's eligibility, that the certifying officer knows of no fact which might rebut that presumption.

(3) *Ineligible suppliers of commodities and services.* Citizens or firms of any country not included in AID Geographic Code 935 are ineligible as suppliers, contractors, subcontractors, or agents, for goods and services the costs of which will be reimbursed under this grant. However, non-U.S. citizens lawfully admitted for permanent residence in the United States are eligible.

(e) *Nationality of employees under contracts and subcontracts for services.* The nationality policy of subparagraph (d)(2), of this provision does not apply to the employees of contractors or subcontractors whose services will be reimbursed under this grant, but all contractor and subcontractor employees engaged in providing services under AID-financed grants must be citizens of countries included in AID Geographic Code 935 or non-U.S. citizens lawfully admitted for permanent residence in the United States.

(f) *The Cooperating Country as a source.* With certain exceptions, the Cooperating Country is not normally an eligible source for procurement to be paid in U.S. dollars. The exceptions are for ocean freight and marine insurance (see paragraphs (c)(1) and (c)(2) of this provision). The Cooperating Country may be an eligible source if local cost financing is approved either by specific action of the Grant Officer or in the Schedule of the grant. In such cases, the Standard Provision entitled "Local Cost Financing with U.S. Dollars," will apply.

(g) *Ineligible goods and services.* Under no circumstances shall the Grantee procure any of the following under this grant:

- (1) military equipment,
- (2) surveillance equipment,
- (3) commodities and services for support of police or other law enforcement activities,
- (4) abortion equipment and services,
- (5) luxury goods and gambling equipment, or
- (6) weather modification equipment.

If AID determines that the Grantee has procured any of the ineligible goods and services specified above under this grant, and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the reimbursement.

(h) *Restricted goods.* The Grantee shall not procure any of the following goods or services without the prior written authorization of the Grant Officer:

- (1) agricultural commodities,
- (2) motor vehicles,
- (3) pharmaceuticals,
- (4) pesticides,
- (5) rubber compounding chemicals and plasticizers,
- (6) used equipment,
- (7) U.S. Government-owned excess property, or
- (8) fertilizer.

If AID determines that the Grantee has procured any of the restricted goods specified above under this grant, without the prior written authorization of the Grant Officer, and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the reimbursement.

(i) *Printed or audio-visual teaching materials.* If the effective use of printed or audio-visual teaching materials depends upon their being in the local language and if such materials are intended for technical assistance projects or activities financed by AID in whole or in part and if other funds including U.S.-owned or U.S.-controlled local currencies are not readily available to finance the procurement of such materials, local language versions may be procured from the following sources, in order of preference:

- (1) Code 000, United States,
- (2) the Cooperating Country,
- (3) Code 941, Selected Free World,
- (4) Code 899, Free World.

(j) *Ineligible Suppliers.* Funds provided under this grant shall not be used to procure any commodity or commodity-related services furnished by any supplier whose name appears on the List of Ineligible Suppliers under AID Regulation 8, "Suppliers of Commodities and Commodity-Related Services Ineligible for AID Financing" (22 CFR 208). The Grantee

agrees to review said list prior to undertaking any procurement the cost of which is to be reimbursable under this grant. AID will provide the Grantee with this list.

(k) *The Grantee's procurement system.* The Grantee may use its own procurement policies and procedures provided they conform to the geographic source and nationality requirements of this provision and the standards set forth in paragraphs 1U3.a.b. and c. of AID Handbook 13, "Grants."

(l) *The Grantee's Procurement System*

(1) The Grantee may use its own procurement policies and procedures provided they conform to the geographic source and nationality requirements of this provision and paragraphs 1U.3.a., b., and c. of Chapter I, AID Handbook 13.

(2) If the Grantee's procurement policies and procedures have been reviewed against the procurement requirements of paragraphs 1U.3.a., b., and c. and have been approved by AID or another Federal department or agency, the Grantee shall furnish the Grant Officer a copy of such approval; otherwise the Grantee's procurement policies and procedures shall conform to those specified in paragraphs 1U.3.a., b., and c. of Chapter 1, AID Handbook 13.

13. LOCAL COST FINANCING WITH U.S. DOLLARS

(This provision is applicable whenever local cost financing has been specifically authorized in the Schedule of this grant regardless of dollar amount.)

(a) Local cost financing is the use of U.S. dollars to obtain local currency for the procurement of goods and services in the Cooperating Country in furtherance of the purpose of the grant. Local cost financing must be specifically authorized in the Schedule of the grant. The amount of U.S. dollars which may be used must be specified in the authorization, together with any special restrictions on their use.

(b) Procurement of goods and services under local cost financing is subject to the following restrictions:

(1) *Ineligible goods and services*

Under no circumstances shall the Grantee procure any of the following under this grant:

- (i) military equipment,
- (ii) surveillance equipment,
- (iii) commodities and services for support of police or other law enforcement activities,
- (iv) abortion equipment and services,
- (v) luxury goods and gambling equipment, or
- (vi) weather modification equipment.

If AID determines that the Grantee has procured any of the ineligible goods and services specified

above under this grant, and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the reimbursement.

(2) Restricted goods

The Grantee shall not procure any of the following goods or services without the prior written authorization of the Grant Officer:

- (i) agricultural commodities,
- (ii) motor vehicles,
- (iii) pharmaceuticals,
- (iv) pesticides,
- (v) rubber compounding chemicals and plasticizers,
- (vi) used equipment,
- (vii) U.S. Government-owned excess property, or
- (viii) fertilizer.

If AID determines that the Grantee has procured any of the restricted goods specified above under this grant, without the prior written authorization of the Grant Officer, and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the reimbursement.

(3) Any component from a non-free world country makes a commodity ineligible for AID financing.

(4) Nationality

(i) Citizens or firms of any country not included in AID Geographic Code 935 are ineligible as suppliers, contractors, subcontractors, or agents for goods and services the costs of which will be reimbursed under this grant.

(ii) Local cost financing is the use of appropriated U.S. dollars to obtain local currency for the payment for goods and services purchased in the Cooperating Country. Authorization of local cost financing makes the Cooperating Country, in addition to the United States and any other country included in the authorized geographic code for the project, an eligible source for the purchase of goods or services in the Cooperating Country. Goods or services purchased under local cost financing must be located in the Cooperating Country at the time they are purchased; they cannot be imported specifically for the project being implemented by this grant. The supplier from which goods or services are purchased under local cost financing must also be in the Cooperating Country. Suppliers of goods or services under local cost financing must meet the nationality eligibility tests prescribed in paragraph (d) of the provision of this grant entitled "Procurement of Goods and Services over \$250,000." When local cost financing has been authorized, the Cooperating Country is deemed to be included in the "authorized geographic code" for purposes of determining nationality

eligibility pursuant to paragraph (d) of the provision, entitled "Procurement of Goods and Services over \$250,000."

(c) *General principles.* Under local cost financing, the Grantee shall follow sound procurement policies, utilizing competition to the maximum practical extent, obtaining the lowest available price, and documenting such procurements to justify the method used and the price established.

(d) *Procurement of goods.* In order to be eligible under local cost financing, goods are subject to the following specific requirements:

(1) *Indigenous goods.* Goods which have been mined, grown, or produced in the Cooperating Country through manufacture, processing, or assembly are eligible for local cost financing under this grant. Goods produced with imported components must result in a commercially recognized new commodity that is substantially different in basic characteristics or in purpose or utility from its components in order to qualify as indigenous; such goods may not contain components from any non-free world country.

(2) *Imported shelf items.* Imported shelf items are goods that are normally imported and kept in stock, in the form in which imported, for sale to meet a general demand in the country for the item; they are not goods which have been specifically imported for use in an AID-financed project.

(i) Shelf items are eligible for local cost financing in unlimited quantities up to the total amount available for local cost financing if they have their source in the Cooperating Country and their origin in a country included in AID Geographic Code 941.

(ii) Shelf items having their origin in any country included in Code 899 but not in Code 941 are eligible if the price of one unit does not exceed \$5,000. For goods sold by units of quantity; e.g., tons, barrels, etc., the unit to which the local currency equivalent of \$5,000 is applied is that which is customarily used in quoting prices. The total amount of imported shelf item purchases from countries included in Code 899 but not in Code 941 may not exceed \$25,000 or 10% of the total local costs financed by AID for the project whichever is higher; however, in no case may the total amount of such purchases exceed \$250,000 without first obtaining a specific geographic source waiver.

(3) *Goods imported specifically for the project.* Goods imported specifically for the project being implemented by this grant are not eligible for local cost financing; they are subject to the requirements of the provision entitled "Procurement of Goods and Services over \$250,000."

14. GOVERNMENT FURNISHED EXCESS PERSONAL PROPERTY

(This provision applies when personal property is furnished under the grant.)

The policies and procedures of Handbook 16, "Excess Property," and the appropriate provisions of 41 CFR 101-43 apply to the Government furnished excess property under this grant.

15A. TITLE TO AND USE OF PROPERTY (GRANTEE TITLE)

(This provision is applicable when the Government vests title in the Grantee only.)

Title to all property financed under this grant shall vest in the Grantee, subject to the following conditions:

(a) The Grantee shall not charge for any depreciation, amortization, or use of any property, title to which remains in the Grantee under this provision under this Grant or any other U.S. Government grant, subgrant, contract or subcontract.

(b) The Grantee agrees to use and maintain the property for the purpose of the grant in accordance with the requirements of paragraph 1T of Chapter 1, Handbook 13.

(c) With respect to nonexpendable property having an acquisition cost of \$1,000 or more, title to which vests in the Grantee, the Grantee agrees:

(1) To report such items to the Grant Officer from time to time as they are acquired and to maintain a control system which will permit their ready identification and location.

(2) To transfer title to any such items to the Government in accordance with any written request therefore issued by the Grant Officer at any time prior to final payment under this grant.

15B. TITLE TO AND CARE OF PROPERTY (U.S. GOVERNMENT TITLE)

(This provision is applicable when title to property is vested in the U.S. Government.)

(a) Property, title to which vests in the Government under this grant, whether furnished by the Government or acquired by the Grantee, is subject to this provision and is hereinafter collectively referred to as "Government property." Title to Government property shall not be affected by the incorporation or attachment thereof to any property not owned by the Government, nor shall such Government property, or any part thereof, be or become a fixture or lose its identity as personalty by reason of affixation to any realty.

(b) Use of Government Property

Government property shall, unless otherwise provided herein or approved by the Grant Officer, be used only for the performance of this grant.

(c) Control, Maintenance and Repair of Government Property

The Grantee shall maintain and administer in accordance with sound business practice a program for the maintenance, repair, protection, and preservation of Government property so as to assure its full availability and usefulness for the performance of this grant. The Grantee shall take all reasonable steps to comply with all appropriate directions or instructions which the Grant Officer may prescribe as reasonably necessary for the protection of the Government property.

The Grantee shall submit, for review and written approval of the Grant Officer, a records system for property control and a program for orderly maintenance of Government property; however, if the Grantee's property control and maintenance system has been reviewed and approved by another Federal department or agency pursuant to Attachment N of OMB Circular No. A-110 (see paragraph 1T of Chapter 1, Handbook 13), the Grantee shall furnish the Grant Officer proof of such approval in lieu of another approval submission.

(1) Property Control

The property control system shall include but not be limited to the following:

(A) Identification of each item of Government property acquired or furnished under the grant by a serially controlled identification number and by description of item. Each item must be clearly marked "Property of U.S. Government."

(B) The price of each item of property acquired or furnished under the grant.

(C) The location of each item of property acquired or furnished under the grant.

(D) A record of any usable components which are permanently removed from items of Government property as a result of modification or otherwise.

(E) A record of disposition of each item acquired or furnished under the grant.

(F) Date of order and receipt of any item acquired or furnished under the grant.

The official property control records shall be kept in such condition that at any stage of completion of the work under this grant, the status of property acquired or furnished under this grant may be readily ascertained. A report of current status of all items of property acquired or furnished under the grant shall be submitted yearly concurrently with the annual report.

(2) Maintenance Program

The Grantee's maintenance program shall be such as to provide for, consistent with sound business practice and the terms of the Grant:

(i) disclosure of need for and the performance of preventive maintenance.

(ii) disclosure and reporting of need for capital type rehabilitation, and

(iii) recording of work accomplished under the program.

(A) Preventive maintenance—Preventive maintenance is maintenance generally performed on a regularly scheduled basis to prevent the occurrence of defects and to detect and correct minor defects before they result in serious consequences.

(B) Records of maintenance—The Grantee's maintenance program shall provide for records sufficient to disclose the maintenance actions performed and deficiencies discovered as a result of inspections.

A report of status of maintenance of Government property shall be submitted annually concurrently with the annual report.

(d) Risk of Loss

(1) The Grantee shall not be liable for any loss of or damage to the Government property, or for expenses incidental to such loss or damage except that the Grantee shall be responsible for any such loss or damage (including expenses incidental thereto):

(i) Which results from willful misconduct or lack of good faith on the part of any of the Grantee's directors or officers, or on the part of any of its managers, superintendents, or other equivalent representatives, who have supervision or direction of all or substantially all of the Grantee's business, or all or substantially all of the Grantee's operation at any one plant, laboratory, or separate location in which this grant is being performed.

(ii) Which results from a failure on the part of the Grantee, due to the willful misconduct or lack of good faith on the part of any of its directors, officers, or other representatives mentioned in (i) above,

(A) to maintain and administer, in accordance with sound business practice, the program for maintenance, repair, protection, and preservation of Government property as required by (i) above, or (B) to take all reasonable steps to comply with any appropriate written directions of the Grant Officer under (c) above;

(iii) For which the Grantee is otherwise responsible under the express terms of the article or articles designated in the Schedule of this grant.

(iv) Which results from a risk expressly required to be insured under some other provision of

this grant, but only to the extent of the insurance so required to be procured and maintained, or to the extent of insurance actually procured and maintained, whichever is greater; or

(v) Which results from a risk which is in fact covered by insurance or for which the Grantee is otherwise reimbursed, but only to the extent of such insurance or reimbursement;

Provided, that, if more than one of the above exceptions shall be applicable in any case, the Grantee's liability under any one exception shall not be limited by any other exception.

(2) The Grantee shall not be reimbursed for, and shall not include as an item of overhead, the cost of insurance, or any provision for a reserve, covering the risk of loss of or damage to the Government property, except to the extent that the Government may have required the Grantee to carry such insurance under any other provision of this grant.

(3) Upon the happening of loss or destruction of or damage to the Government property, the Grantee shall notify the Grant Officer thereof, shall take all reasonable steps to protect the Government property from further damage, separate the damaged and undamaged Government property, put all the Government property in the best possible order, and furnish to the Grant Officer a statement of:

(i) The lost, destroyed, and damaged Government property;

(ii) The time and origin of the loss, destruction, or damage;

(iii) All known interests in commingled property of which the Government property is a part; and

(iv) The insurance, if any, covering any part of or interest in such commingled property.

The Grantee shall make repairs and renovations of the damaged Government property or take such other action as the Grant Officer directs.

(4) In the event the Grantee is indemnified, reimbursed, or otherwise compensated for any loss or destruction of or damage to the Government property, it shall use the proceeds to repair, renovate or replace the Government property involved, or shall credit such proceeds against the cost of the work covered by the grant, or shall otherwise reimburse the Government, as directed by the Grant Officer. The Grantee shall do nothing to prejudice the Government's right to recover against third parties for any such loss, destruction, or damage, and upon the request of the Grant Officer, shall, at the Government's expense, furnish to the Government all reasonable assistance and cooperation (including assistance in the prosecution of suit and the execution of instruments of assignments in favor of the

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Government) in obtaining recovery.

(e) Access

The Government, and any persons designated by it, shall at all reasonable times have access to the premises wherein any Government property is located, for the purpose of inspecting the Government property.

(f) Final Accounting and Disposition of Government Property

Upon completion of this grant, or at such earlier dates as may be fixed by the Grant Officer, the Grantee shall submit, in a form acceptable to the Grant Officer, inventory schedules covering all items of Government property not consumed in the performance of this grant or not theretofore delivered to the Government, and shall prepare, deliver, or make such other disposal of the Government property as may be directed or authorized by the Grant Officer.

(g) Communications

All communications issued pursuant to this provision shall be in writing.

15C. TITLE TO AND CARE OF PROPERTY (COOPERATING COUNTRY TITLE)

(This provision is applicable to property titled in the name of the cooperating country or such public or private agency as the cooperating government may designate.)

(a) Except as modified by the Schedule of this grant, title to all equipment, materials and supplies, the cost of which is reimbursed to the Grantee by AID or by the Cooperating Government, shall at all times be in the name of the Cooperating Government or such public or private agency as the Cooperating Government may designate, unless title to specified types or classes of equipment is reserved to AID under provisions set forth in the Schedule of this grant; but all such property shall be under the custody and control of Grantee until the owner of title directs otherwise or completion of work under this grant or its termination, at which time custody and control shall be turned over to the owner of title or disposed of in accordance with its instructions. All performance guarantees and warranties obtained from suppliers shall be taken in the name of the title owner.

(b) The Grantee shall prepare and establish a program, to be approved by the Mission, for the receipt, use, maintenance, protection, custody and care of equipment, materials and supplies for which it has custodial responsibility, including the establishment of reasonable controls to enforce such program. The Grantee shall be guided by the requirements of paragraph 1T of Chapter 1, Handbook 13.

(c) Within 90 days after completion of this grant, or at such other date as may be fixed by the Grant Officer, the Grantee shall submit an inventory schedule covering all items of equipment, materials and supplies under his/her custody, title to which is in the Cooperating Government or public or private agency designated by the Cooperating Government, which have not been consumed in the performance of this grant. The Grantee shall also indicate what disposition has been made of such property.

16. VOLUNTARY PARTICIPATION

(This provision is applicable to all grants involving any aspect of family planning or population assistance activities, and all Title X grants in particular.)

(a) The Grantee agrees to take any steps necessary to ensure that funds made available under this grant will not be used to coerce any individual to practice methods of family planning inconsistent with such individual's moral, philosophical, or religious beliefs. Further, the Grantee agrees to conduct its activities in a manner which safeguards the rights, health and welfare of all individuals who take part in the program.

(b) The Grantee shall insert paragraphs (a) and (b) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder.

17. PROHIBITION ON ABORTION-RELATED ACTIVITIES

(This provision is applicable to all grants involving any aspect of family planning or population assistance activities, and all Title X grants in particular.)

(a) No funds made available under this grant will be used to finance, support, or be attributed to the following activities: (1) procurement or distribution of equipment intended to be used for the purpose of inducing abortions as a method of family planning; (2) special fees or incentives to women to coerce or motivate them to have abortions; (3) payments to persons to perform abortions or to solicit persons to undergo abortions; (4) information, education, training, or communication programs that seek to promote abortion as a method of family planning.

(b) The Grantee shall insert paragraphs (a) and (b) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder.

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18. VOLUNTARY PARTICIPATION REQUIREMENTS FOR STERILIZATION PROGRAMS

(This provision is applicable when any surgical sterilization will be supported in whole or in part from funds under this grant.)

(a) None of the funds made available under this grant shall be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to practice sterilization.

(b) The Grantee shall insure that any surgical sterilization procedures supported in whole or in part by funds from this grant are performed only after the individual has voluntarily presented himself or herself at the treatment facility and has given his or her informed consent to the sterilization procedure. Informed consent means the voluntary, knowing assent from the individual after he or she has been advised of the surgical procedures to be followed, the attendant discomforts and risks, the benefits to be expected, the availability of alternative methods of family planning, the purpose of the operation and its irreversibility, and his or her option to withdraw consent anytime prior to the operation. An individual's consent is considered voluntary if it is based upon the exercise of free choice and is not obtained by any special inducement or any element of force, fraud, deceit, duress, or other forms of coercion or misrepresentation.

(c) Further, the Grantee shall document the patient's informed consent by (1) a written consent document in a language the patient understands and speaks, which explains the basic elements of informed consent, as set out above, and which is signed by the individual and by the attending physician or by the authorized assistant of the attending physician; or (2) when a patient is unable to read adequately a written certification by the attending physician or by the authorized assistant of the attending physician that the basic elements of informed consent above were orally presented to the patient, and that the patient thereafter consented to the performance of the operation. The receipt of the oral explanation shall be acknowledged by the patient's mark on the certification and by the signature or mark of a witness who shall be of the same sex and speak the same language as the patient.

(d) Copies of informed consent forms and certification documents for each voluntary sterilization (VS) procedure must be retained by the Grantee for a period of three years after performance of the sterilization procedure.

(e) The Grantee shall insert paragraphs (a), (b), (c), (d) and (e) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder involving the performance of any sterilization which will be supported in whole or in part from funds under this grant.

19. PUBLICATIONS

(This provision is applicable to any grant which produces any book, publication, or other copyrightable materials.)

(a) If it is the Grantee's intention to identify AID's contribution to any publication resulting from this grant, the Grantee shall consult with AID on the nature of the acknowledgement prior to publication.

(b) The Grantee shall provide the Project Manager with one copy of all published works developed under the grant. The Grantee shall provide the Project Manager with lists of other written work produced under the grant.

(c) In the event grant funds are used to underwrite the cost of publishing, in lieu of the publisher assuming this cost as is the normal practice, any profits or royalties up to the amount of such cost shall be credited to the grant.

(d) The Grantee is permitted to secure copyright to any publication produced or composed under the grant in accordance with paragraph 1T8.b. of Chapter 1, Handbook 13. Provided, the Grantee agrees to and does hereby grant to the Government a royalty-free, nonexclusive, and irrevocable license throughout the world to use, duplicate, disclose, or dispose of such publications in any manner and for any purpose and to permit others to do so.

20. PATENTS

(This provision is applicable to any grant which produces patentable items, patent rights, processes, or inventions.)

(a) Grantee agrees to notify the Grant Officer, in writing, of any invention or discovery conceived or first actually reduced to practice in the course of or under this grant. The Grant Officer will determine the patent rights to be afforded the Grantee in accordance with the Presidential Memorandum and Statement of Government Patent Policy (36 FR 16889) and paragraph 1T8.a. of Chapter 1, Handbook 13.

(b) Nothing contained in this provision shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

21. REGULATIONS GOVERNING EMPLOYEES OUTSIDE THE UNITED STATES

(This provision applies only to the Grantee's employees working outside their country of residence.)

(a) The Grantee's employees, when employed in work overseas, shall maintain private status and may not rely on local U.S. Government Offices or facilities for support while so engaged.

(b) The sale of personal property or automobiles by Grantee employees and their dependents in the foreign country to which they are assigned shall be subject to the same limitations and prohibitions which apply to direct-hire AID personnel employed by the Mission, except as this may conflict with host government regulations.

(c) Other than work to be performed under this grant for which an employee or consultant is assigned by the Grantee, no regular or short term employee or consultant of the Grantee shall engage directly or indirectly, either in his/her own name or in the name or through an agency of another person, in any business, profession, or occupation in the foreign countries to which he/she is assigned, nor shall he/she make loans or investments to or in any business, profession or occupation in the foreign countries to which he/she is assigned.

(d) The Grantee's employees, while in a foreign country, are expected to show respect for its conventions, customs, and institutions, to abide by its applicable laws and regulations, and not to interfere in its internal political affairs.

(e) In the event the conduct of any Grantee employee is not in accordance with the preceding paragraphs, the Grantee's chief of party shall consult with the Mission Director and the employee involved and shall recommend to the Grantee a course of action with regard to such employee.

(f) The parties recognize the right of the U.S. Ambassador to direct the removal from a country of any U.S. citizen or the discharge from this grant of any third country national when, in the discretion of the Ambassador, the interests of the United States so require.

(g) If it is determined, under either (e) or (f) above, that the services of such employee shall be terminated, the Grantee shall use its best efforts to cause the return of such employee to the United States, or point of origin, as appropriate.

22. SUBORDINATE AGREEMENTS

(a) The placement of subordinate agreements (i.e., grants or contracts) with other organizations, firms

or institutions, and the provisions of such subordinate agreements are subject to prior written consent of the Grant Officer unless such subordinate agreements were identified in the approved Financial Plan, in accordance with paragraph (b)(7) of the Standard Provision of this grant entitled "Revision of Financial Plans."

(b) The use of the Standard Provisions of this grant is mandatory for subgrants to U.S. institutions. For subgrants to foreign institutions the Grantee shall use the Standard Provisions set forth in Appendix 4D of Handbook 13.

(c) Contracts awarded with funds provided by the grant shall be undertaken in accordance with the requirements of the Standard Provision of this grant entitled "Procurement of Goods and Services over \$250,000" or "Procurement of Goods and Services under \$250,000" (whichever is applicable), and paragraph 1U3 of Handbook 13. Contracts awarded with funds provided by this grant to U.S. organizations shall set forth the provisions of paragraph 1U4 of Handbook 13. Paragraph 1U4 does not apply to foreign organizations.

23. PARTICIPANT TRAINING

(This provision is applicable if AID funds provided hereunder will be used to finance participant training.)

(a) Definitions

(1) Participant training is the training of any foreign national outside of his or her home country, using AID funds.

(2) A participant is any foreign national being trained under this grant outside of his or her home country.

(b) Applicable regulations

Participant training is to be conducted according to the policies established in AID Handbook 10—Participant Training, except to the extent that specific exceptions to AID Handbook 10 have been provided in this grant (Handbook 10 may be obtained by submitting a request to the Office of International Training, at the address specified in paragraph (c) below.)

(c) Reporting requirement

Once each month the Grantee shall submit three copies of form AID 1380-9, "Monthly Report of Participants Under Grant, Loan or Contract Programs", to the Office of International Training, Bureau for Science and Technology (S&T/IT), AID/Washington, D.C. 20523.

24. HEALTH AND ACCIDENT COVERAGE FOR AID PARTICIPANT TRAINEES

(This provision is applicable if AID funds provided hereunder will be used to finance the training of non-U.S. participants in the United States.)

(a) The Grantee shall enroll all non-U.S. participants (hereinafter referred to as "participants"), whose training in the United States is financed by AID under this grant, in the Agency for International Development's Health and Accident Coverage (HAC) program

(b) The Grantee shall, prior to the initiation of travel by each participant financed by AID under this grant, fill out and mail to AID a self-addressed, postage prepaid, HAC Program Participant Enrollment Card (form AID 1380-98). The Grantee can obtain a supply of these cards and instructions for completing them from the Office of International Training, AID/Washington, D.C. 20523.

(c) The Grantee shall assure that enrollment shall begin immediately upon the participant's departure for the United States for the purpose of participating in a training program financed by AID and that enrollment shall continue in full force and effect until the participant returns to his/her country of origin, or is released from AID's responsibility, whichever is the sooner. The Grantee shall continue enrollment coverage for participants whose departure is delayed due to medical or other compelling reasons, with the written concurrence of the AID Project Manager and subject to the requirements of paragraph (d).

(d) The Grantee shall submit the HAC Program Participant Enrollment Card to AID, as specified in paragraph (b), above, to enable the participant(s), or the provider of medical services, to submit bills for medical costs resulting from illness and accident to the HAC Administrator, Trust Fund Administrators, Inc., 1030 15th Street, NW, Suite 500, Washington, D.C. 20005. The HAC Administrator, not the Grantee, shall be responsible for paying all reasonable and necessary medical charges, not otherwise covered by student health service or other insurance programs (see paragraphs (e) and (f)), subject to the availability of funds for such purposes, in accordance with the standards of coverage established by AID under the HAC program, and subject to the payment of the fee specified in paragraph (d)(1), below.

(1) Within thirty (30) days after enrollment, the Grantee shall send an enrollment fee computed on the basis of the fixed rate per participant per month* (the minimum period for calculation of fee is one

*The rate is \$25.00 per participant-month for Fiscal Year 1982.

month—that is, one participant month, 30 days, not one calendar month—premiums may not be prorated for fractional periods of less than 30 days); to: Agency for International Development, Office of Financial Management, Program Accounting Division, Nonproject Assistance, Washington, D.C. 20523.

The enrollment fee should cover a minimum period of up to one year or the current training period for which funds are obligated under this grant, whichever is less. As applicable, payments for additional periods of enrollment shall be made 30 days prior to the beginning of each new enrollment period or new period of funding of this grant (the monthly enrollment fee for succeeding fiscal years may be obtained by calling the AID Office of International Training). All such fee payments shall be made by check, payable to the "Agency for International Development (HAC)." If payments are not made within 30 days, a late payment charge shall apply at a percentage rate based on the current value of funds to the Treasury for each 30-day period; the full charge shall also be applicable to periods of less than 30 days. The percentage rate will be calculated by the Treasury as an average of the current value of funds to the Treasury for a recent three-month period and will be transmitted to AID in TFRM Bulletins.

The late payment charge shall be applied to any portion of the fees in arrears and be remitted together with the fees as a separately identified item on the covering memorandum.

(2) Whenever possible, fee payments for groups of several participants entering the HAC Program within the 30-day reporting period shall be consolidated and covered by a single check. Participants covered by the fee payment shall be listed individually in the covering letter, identifying each participant (the name reported must be identical to that on the HAC enrollment card), showing period of enrollment (or period of coverage for which payment is remitted if this is different from the enrollment period), fee-amount paid, grant number, and U.S. Government appropriation number (as shown under the "Fiscal Data" section of the grant cover letter).

(e) The Grantee, to the extent that it is an educational institution with a student health service program, shall also enroll all participants in their institution's student health service program. Medical costs which are covered under the institution's student health service shall not be eligible for payment under AID's HAC program. The Grantee shall provide the HAC Administrator with a copy of information showing what medical costs are covered by the institution's student health service program; medical

costs that are not covered by the institution's student health service program shall be submitted to the HAC Administrator.

(f) If the Grantee has a mandatory, nonwaivable health and accident insurance program for students, the costs of such insurance will be allowable under this grant. Any claims eligible under such insurance will not be payable under AID's HAC plan or under this grant. Even though the participant is covered by the Grantee's mandatory, nonwaivable health and accident insurance program, the participant MUST be enrolled in AID's more comprehensive HAC program, and HAC payments MUST be made to AID as provided above. In addition, a copy of the mandatory insurance policy must be forwarded to the HAC Administrator.

(g) Any payments for medical costs not covered by the Grantee's student health service program, or mandatory, nonwaivable health and accident insurance program, or AID's HAC program shall be reimbursable under this grant only with specific written approval of the Grant Officer and subject to the availability of funds.

(h) The HAC Administrator, for the period February 1, 1980 through January 31, 1983, is:

Trust Fund Administrators, Inc.
1030 15th Street, NW, Suite 500
Washington, D.C. 20005.

25. U.S. OFFICIALS NOT TO BENEFIT

No member of or delegate to the U.S. Congress or resident U.S. Commissioner shall be admitted to any share or part of this grant or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this grant if made with a corporation for its general benefit.

26. COVENANT AGAINST CONTINGENT FEES

The Grantee warrants that no person or selling agency has been employed or retained to solicit or secure this grant upon an agreement or understand-

ing for a commission, percentage, brokerage, or contingent fee except bona fide employees or bona fide established commercial or selling agencies maintained by the Grantee for the purpose of securing business. For breach or violation of this warranty, AID shall have the right to cancel this grant without liability or, in its discretion, to deduct from the grant amount, or otherwise recover, the full amount of each commission, percentage, brokerage, or contingent fee.

27. NONLIABILITY

AID does not assume liability with respect to any third party claims for damages arising out of work supported by this Grant.

28. AMENDMENT

The grant may be amended by formal modifications to the basic grant document or by means of an exchange of letters between the Grant Officer and an appropriate official of the Grantee.

29. THE GRANT

The letter to the Grantee signed by the Grant Officer, the Schedule, the Program Description and the Standard Provisions which have been reviewed and agreed to by the Grantee, constitute the grant.

30. NOTICES

Any notice given by any of the parties hereunder, shall be sufficient only if in writing and delivered in person or sent by telegraph, cable, registered or regular mail as follows:

To the AID Grant Officer, at the address specified in the grant.

To Grantee, at Grantee's address shown in the grant.

or to such other address as either or such parties shall designate by notice given as herein required. Notices hereunder shall be effective when delivered in accordance with this provision, or on the effective date of the notice, whichever is later.

FOOTNOTES:

1. Standard Provisions 1 through 6 are required and may not be omitted from any grant or cooperative agreement.
2. Standard Provisions 7 through 24 are required to be used *when applicable* and may not be omitted from any grant or cooperative agreement, *if they are applicable*.
3. Standard Provisions 25 through 30 are suggested, but not required, for any grant or cooperative agreement.
4. The omission of any "required" clause, referred to in 1. and 2. above, requires a deviation in accordance with paragraph 1E of Chapter 1 of Handbook 13.

5. When these Standard Provisions are used for Cooperative Agreements, the following terms apply:

"Grantee" means "Recipient,"

"Grant" means "Cooperative Agreement,"

"AID Grant Officer" means "AID Agreement Officer,"

"Subgrant" means "Subcooperative Agreement," and

"Subgrantee" means "Subrecipient."

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